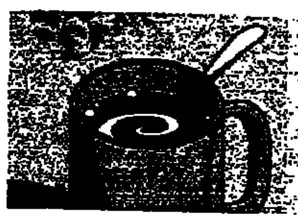

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FINANCIAL TIMES

World Business Newspaper

MONDAY FEBRUARY 6 1995 D8523A

Russia likely to introduce private pensions system

Russia's parliament is set to consider the country's first private pensions system in legislation expected to be introduced within a fortnight. It is likely that pension funds initially would invest almost exclusively in Treasury bills, although as securities markets evolve, investment in equities would expand. The Russian legislation relies on advice from UK experts for whom finance was provided by the British government's "Know-How" fund for Russia. Page 16; A rising tsar in Moscow, Page 12

French Socialists rally behind Jospin: France's Socialists overwhelmingly chose Lionel Jospin as their presidential candidate in the forthcoming campaign against prime minister Edouard Balladur, the Gaullist frontrunner. Page 16

Clinton's budget calls for big cuts: US president Bill Clinton's administration today presents a 1995-96 federal budget which is expected to *prompt economic and political* debate over both the projected deficit of $196.7bn and large cuts in spending. Page 20 16

Dutch flood evacuees return home: Most of the 250,000 people who were evacuated from Dutch towns after river dykes threatened to collapse returned home at the weekend, ending the biggest flood emergency in the Netherlands for more than 40 years. Page 2

Israel to keep Gaza and West Bank sealed: Israel is to maintain a two-week-old closure of the Gaza Strip and occupied West Bank despite appeals by Palestinian and Israeli officials that it is harming the Palestinian economy and morale. Page 4

Bosnia allies agree deal to calm tension: Bosnian Croats and Moslems agreed to submit all disputes between them to an international arbitrator, *in an attempt to prevent tensions between the* two communities tearing apart the year-old federation. Page 3

Mitterrand plan angers Algiers: Relations between France and Algeria were strained by a proposal from French president François Mitterrand that the European Union should sponsor peace talks between the military-backed regime in Algiers and its Islamic opponents. Page 4

Ecuador and Peru suspend ceasefire talks: Ceasefire talks between Ecuador and Peru aimed at ending a 11-day armed border conflict were suspended after Ecuador asked for more time to evaluate a preliminary peace proposal. Efforts to *implement* a ceasefire are to be co-ordinated from Brazil.

German group moves towards sell-off: *Deutsche Postbank, Germany's largest savings* institution, took a first step towards the private sector by appointing Salomon Brothers of the US as financial adviser. Page 17

Brittan to tackle tariff dispute: European Union foreign ministers are expected today to allow trade commissioner Sir Leon Brittan to negotiate compensation deals with countries outside the EU which face losses from higher tariffs because of the accession of Austria, Sweden and Finland to the Union. Page 3

US-UK microprocessor venture: Advanced RISC Machines, the British microprocessor design group, and Digital Equipment of the US are to develop a range of microprocessors that combine Digital's high performance semiconductor technology with ARM's expertise in low power consumption chips. Page 18

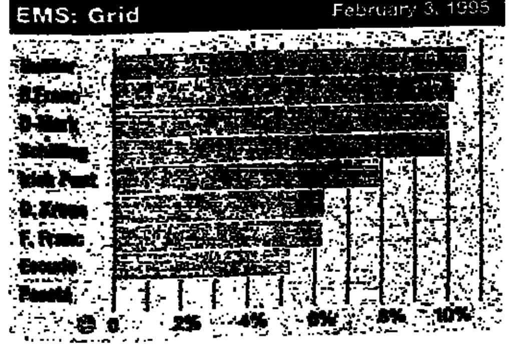
Lowndes buys marine broker: London-based insurance broker Lowndes Lambert is to acquire marine "protection and indemnity" broker Godfrey Merritt Robertson for £2m ($3.1m). The payment will be raised if certain income and profit criteria are met. Page 18

Bonn expects fastest growth in G7: Germany expects to be the *fastest* growing of the *Group of Seven leading* industrial countries next year and should also have the G7's smallest budget deficit, finance minister Theo Waigel said. Page 5

Thorn EMI set to reorganise Rumbelows: UK music and rentals group Thorn EMI is expected to announce that it is reorganise its loss-making Rumbelows electricals chain when it reports its third-quarter results tomorrow. Page 17

European Monetary System: The D-Mark and Austrian schilling changed places in the *EMS grid* last week against a background of continued D-Mark strength. The Danish krone and French franc did the same. The spread between strongest and weakest currency was little changed. Currencies, Page 27

EMS: Grid February 3, 1995



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

Austria	Sch35	Greece	Dr400	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Morocco	MDh15	S.Arabia	SR11
Belgium	BFr70	Hungary	Ft185	Neth	Fl 4.25	Singapore	S$4.30
Bulgaria	Lw100.00	Iceland	IKr220	Nigeria	Naira80	Slovak Rp	KSL60
Cyprus	C£1.10	India	Rs75	Norway	NKr18.00	S. Africa	R12.00
Czech Rp	CZK55	Israel	Shk7.50	Oman	OR1.50	Spain	Pta225
Denmark	DKr17	Italy	L3000	Pakistan	Rs40	Sweden	SKr17
Egypt	E£5.00	Japan	Y500	Philippines	Peso50	Switz	SFr3.60
Estonia	EKr 20	Jordan	JD1.50	Poland	Zl 42,000	Syria	S£50.00
Finland	FM15	Kuwait	Fils.629	Portugal (mainland)	Es230	Tunisia	Din1.500
France	FFr10.50	Lebanon	US$1.50			Turkey	L40,000
Germany	DM3.60	Lux	LFr70			UAE	Dh12.00

G7 unity on Mexico rescue veils discord on tactics

By Robert Chote in London

The Group of Seven leading industrial countries put on a show of unity at the weekend in support of last week's US-led rescue package for Mexico, but differences remain over methods for dealing with financial crises.

Meeting in Toronto, G7 finance ministers and central bank governors expressed "total satisfaction" with the $50bn package. Resentment lingers, however, after Britain and Germany abstained last week in a vote on the International Monetary Fund's contribution to the package. They argued that the US plan offered Mexico too much, too quickly.

Mr Robert Rubin, the US treasury secretary, said after the meeting: "I really don't think we left with any ill will."

He said consultations on the package had not been as full as he would have liked, but that his fellow G7 finance ministers – from France, Canada, Italy and Japan, as well as the UK and Germany – understood that quick action had been essential.

Some details of the package remain to be finalised. These include the contributions from Europe and Japan via the Basle-based Bank for International Settlements. Mr Eddie George, governor of the Bank of England, saw no reason to doubt its completion: "The commitment is there."

The G7 concluded that more effort had to be put into the IMF's "surveillance" of the world economy. This might provide an early warning of when countries were getting into difficulties.

Mr George said it was important to keep a closer eye on countries' liquidity, but Mr Rubin warned that it might be difficult to take action, even if a potential problem was identified: "If you trumpet it about you may precipitate a crisis you don't want".

Mr Edmond Alphandery, the French finance minister, argued for a permanent mechanism allowing the IMF to raise funds quickly for countries facing sudden outflows of capital. But Mr Kenneth Clarke, the British chancellor, warned against "piling up huge funds of this kind".

Mr Hans Tietmeyer, the Bundesbank president, said such a facility would give countries in trouble less incentive to take the tough steps necessary.

The meeting included broader talks on the future of international financial institutions, including the IMF, World Bank and UN agencies. Mr Paul Martin, the Canadian finance minister, said the G7 was "not looking at fundamental reconstruction, but continuous improvements".

The ministers and central bank governors also had an upbeat assessment of world economic prospects, agreeing that neither the Mexican crisis nor the Kobe earthquake in Japan were likely to halt economic growth and low inflation. The governments reaffirmed their determination to bear down harder on government borrowing and to raise interest rates when necessary.

Chechnya 'threat to Moscow's budget', Page 5
Observer, Page 15

Beijing prepares tit-for-tat sanctions in copyright violation dispute with US

China retaliates in trade row

By Tony Walker in Beijing and Nancy Dunne in Washington

China and the US yesterday edged closer towards a trade war, as Beijing threatened wide-ranging retaliation against American business if a vexed dispute over copyright violations is not resolved by the end of the month.

In a forceful, yet measured response to Washington's announcement on Saturday of proposed sanctions against $1bn worth of Chinese products, Beijing expressed "great regret" and outlined retaliatory action.

Ms Wu Yi, China's trade minister, dismissed the likely impact of US sanctions, saying: "This is nothing terrible. There are countless markets abroad for Chinese products."

In Washington, Mr Mickey Kantor, the US trade representative, said the US sanctions would take effect on February 26. This leaves 20 days for the two sides to avert a damaging trade rift over efforts to curb widespread piracy in China of such items as compact and laser discs, and computer software.

In Beijing, western officials and companies believe that a compromise will be struck, but there are fears that political uncertainties in light of the failing health of senior leader Deng Xiaoping may interfere with a settlement.

China's trade ministry said *among measures* taken against US business would be the suspension of imports of a number of US products and a freeze on negotiations with US carmakers. This would affect the "big three" manufacturers – GM, Ford and Chrysler – which are all negotiating new projects.

Beijing also said it would impose 100 per cent tariffs on imports such as switchboards, cigarettes, cosmetics, alcoholic drinks, films and cassette tapes. It would also freeze discussions on the establishment by US firms of holding companies in China.

US pharmaceuticals and chemical companies would also have their applications for registration of drugs and products frozen. The trade ministry did not put a value on items that would be targeted by the Chinese. The US sanctions list, which includes plastic items, answering machines and cellular phones and sporting goods, amounts to $1.08bn of imports annually.

US officials are likely to view China's counterattack as more face-saving than substantive. Mr Kenneth DeWoskin, a professor at the University of Michigan business school and an adviser in the car trade negotiations, says the approval US car companies are seeking for joint ventures would not be awarded until next year in any case. Cigarettes and alcoholic drinks are commonly smuggled into China, Mr DeWoskin said.

The Chinese government already has a quota on US films, 10 a year, and prohibiting imports of items commonly counterfeited, including pharmaceuticals and compact discs, puts little pressure on the US government to relent.

Washington wants Beijing to take immediate "concrete" action against factories producing counterfeit items in breach of China's own regulations. The US is also pressing the Chinese to open their markets wider to entertainment and information products.

"We cannot stand by while the interests of our fastest-growing, most competitive industries are sacrificed in China," Mr Kantor said in Washington.

China accused the US of interference, saying that Washington was demanding measures against counterfeiters that were unreasonable and would not be possible under US law. US negotiators have identified 29 factories in southern and central China, responsible for the bulk of compact disc forgeries.

They want these plants either closed or subjected to closer police attention.

Risky disc: Mickey Kantor displays the type of item at the heart of the rift with Beijing – a pirated CD made in China from a US original AP

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US hails 'line in the sand' on piracy, Page 6

Go-ahead likely for UK gilts shake-up

By Graham Bowley in London

The Bank of England expects the UK government to agree by the end of next month to the first large changes to the UK government bond market since Big Bang deregulation in 1986.

Agreement will herald a period of rapid structural change in the gilt-edged market as the Bank resumes reforms it was forced to shelve when the UK moved from budget surplus into deficit in the late 1980s.

The government is poised to announce the setting up of an *open market for* gilt sale-and-repurchase agreements (or repos), which the Bank predicts will then be put in place in the second half of this year.

Although no firm deadline has been set by the government for further reforms, the Treasury is known to be looking hard for ways in which to reduce the UK's high borrowing costs.

As the UK heads back to budget surplus, gilt yields – which jumped to painfully high levels during last year's bond market turbulence – are stabilising.

Figures published today by the Bank of England show that gilt-edged market makers (Gemms) lost £60m during last year's bear market, after profits of £59m in 1993. But the Gemms moved back into profit in the final quarter of last year, and the Bank thinks that will now add to

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EU allies hope for Labour rule in UK to aid closer union

By Lionel Barber in Brussels

Britain's allies in Europe are losing faith in Mr John Major and are waiting for a new UK government to agree on the next phase of European integration, say diplomats in Brussels.

The consensus is that divisions within the ruling Tory party over Europe are so deep that there can be no agreement in the 1996 intergovernmental conference until after the UK general election, due by April 1997.

The assessment is shared by countries usually friendly to the UK such as Denmark, Germany, the Netherlands and Spain. There are indications that Mr Jacques Santer, the new president of the European Commission, also leans toward that view.

Some EU countries are considering spinning out the 1996 negotiations in the hope that a future Labour government under Mr Tony Blair may prove more flexible, *although his policies on* Europe remain sketchy.

Even without the "British problem", the 1996 IGC threatens to be a protracted affair. Member states remain divided over how far the Union must reform itself to prepare for the entry of central and eastern European countries, and are nervous of provoking a Maastricht-style public backlash.

However, fears of a deadlock over institutional reform and the dynamic of eastward enlargement are encouraging those in France, Germany and the Benelux countries who are pressing for a "multi-speed Europe".

That would allow a core of countries to move faster to a single European currency and closer co-operation on defence and foreign policy, sidelining Britain.

"The more strident Britain's position, the more it helps to clear the minds of my government [on a multi-speed Europe]," a senior European diplomat said.

Since the new year, Mr Major has hardened his rhetoric in *order to bridge party divisions* over Europe and to entice back *nine rebels who are vital to* restoring his technical majority in the House of Commons.

Last week, Mr Major warned that Britain could not accept a single currency by 1996 or 1997, and signalled that he intended shortly to lay down new conditions for the creation of economic and monetary union. He did not, however, close off Britain's options of joining Emu in 1999 or beyond.

Reaction on the continent has been partly sympathetic to Mr Major's domestic balancing act, but hostile to British threats to block adjustments to the EU's decision-making procedures, *without which* an expanded union risks becoming paralysed.

Alarm has spread after hints that the UK may try to dismantle or weaken union policies or European institutions such as the common agricultural policy, the common fisheries policy, or the

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NEWS: EUROPE

Campaign to improve defences

Dutch evacuees return as dykes resist floods

By Ronald van de Krol in Amsterdam

Most of the 250,000 people who were evacuated last week from Dutch towns threatened by the collapse of river dykes returned home at the weekend, bringing to an end the biggest flood emergency in the Netherlands for more than 40 years.

The river dykes held up in the end in spite of worries that the worst flooding in northern Europe this century might cause them to crumble, putting extensive areas of the countryside under water.

The return of evacuees was organised in two stages, with nearly 55,000 people in the eastern part of Gelderland province travelling home on Saturday and 180,000 people going back to other parts of the province yesterday.

Almost 15,000 people returned home to Limburg province on Friday.

The transport of millions of farm animals hurriedly moved to safer ground last week was expected to be completed by the end of today.

With flood waters now receding and most families back home, the political pressure on the government to draw up detailed plans for bolstering river defences will increase. Last week Mr Wim Kok, the Dutch prime minister, said the country should launch an ambitious plan of dyke-strengthening to rival the Delta Plan that was executed along the sea coast after severe and sudden flooding in February 1953 caused the death of more than 1,800 people.

At the weekend, the government also promised to pay every evacuated family Fl 500 (£185) towards their out-of-pocket expenses while living with relatives or in evacuation centres.

Compensation for water damage to homes will also be paid, though home-owners will have to pay the first Fl 2,000. Those who had also been hit by the Christmas 1993 floods will have their excess reduced to Fl 1,000.

Businesses will also be compensated. But there was anger from some companies that the government will pay only for water damage, not for the loss of turnover during the week-long evacuation.

Two-thirds of water damage above a Fl 2,000 threshold will be reimbursed. However, companies hit twice, in both 1993 and 1995, will receive compensation of 90 per cent.

The Federation of Dutch Industry, the country's largest business group, argued that the government should be held liable not only for physical damage but also for lost turnover, because the crisis had been caused by the poor maintenance of inland river dykes.

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Drop-out Jospin leaps back into political fray

By David Buchan in Paris

Mr Lionel Jospin, endorsed yesterday as the French Socialist party's presidential candidate by a two-to-one majority, has made a spectacular comeback for someone who was a recent political drop-out.

When his hopes of regaining his Toulouse parliamentary seat were buried in the conservative landslide of March 1993, the 57-year-old Socialist announced he was abandoning politics. He put himself back on the roster of the Quai d'Orsay, the French foreign office, where he started his working life in 1965 but of which he took "temporary" leave in 1970. Not surprisingly, the call from Mr Alain Juppé, the Gaullist foreign minister, never came, and by autumn 1993 the energetic Mr Jospin was back champing at the political bit.

Mr Juppé may yet regret not parking Mr Jospin away in some embassy. For, according to all the opinion polls, Mr Jospin stands a slightly better chance than the man he beat for the Socialist nomination, Mr Henri Emmanuelli, of making it into the two-man May 7 run-off against Mr Edouard Balladur, the frontrunning prime minister.

In other words, Mr Jospin might edge Mr Jacques Chirac, the Gaullist mayor of Paris for whom Mr Juppé himself is rooting, out of second place in the preliminary vote on April 23.

In choosing Mr Jospin, the party has gone for the candidate with more appeal to the middle classes and a somewhat more "moral" image than Mr Emmanuelli, but in policy terms just as much to the left of the party.

In winning the Socialist presidential nomination yesterday, Mr Jospin paid tribute to the Socialist president. He also noted that this was the second time he had succeeded Mr François Mitterrand: when the latter went to the Elysée in 1981, Mr Jospin succeeded him as the party's first secretary until 1988. But he has long been critical of the scandals that marked much of the president's second seven-year term, and now calls for "a new Republican pact" on political and moral values to mark the difference. Mr Jospin is, like Mr Michel Rocard, a Protestant, a minority that is often regarded even by the country's Catholic majority as being more moralistic.

But Mr Jospin is also a whole-hearted upholder of lay education in the state school system. Son of a teacher, he himself went on to teach economics after his spell as a diplomat, and eventually to become education minister in 1988-92. State school teachers have always been an important constituent of the Socialists' electorate, as was clear when thousands took to the streets a year ago to protest at government plans to increase aid to private schools.

Mr Jospin says he accepts the market economy and supports European integration, but with certain leftwing qualifications, as he made clear yesterday. He declared his backing for European monetary union, "but as an instrument for stable international exchange rates, not as a corset, for economic growth and not just to promote free commerce". Indeed, one of his few specific policy proposals yesterday was for "a tax of 0.1 per cent of the value of speculative capital movements".

Mr Lionel Jospin waves to supporters yesterday at the Socialist party congress in Paris Reuter

Brittan to tackle fallout from growth of EU

By Caroline Southey in Brussels

EU foreign ministers are expected today to give Sir Leon Brittan, the EU's trade commissioner, a mandate to negotiate compensation deals with countries facing losses from higher tariffs because of the accession of Austria, Sweden and Finland to the Union.

The issue has already sparked a row between the EU and US, which is claiming large losses following import tariff rises triggered by enlargement on January 1.

The two sides signed an interim six-month deal in December after Washington threatened retaliation unless Brussels took swift action.

The negotiations are expected to be difficult. A Commission official said the EU wanted to make the process "as painless as possible" but it would have to "balance political resistance from EU ministers to any tariff reductions against the political push from our trading partners".

The US estimates losses from the tariff rises will amount to $400m, a figure dismissed by EU officials. "The figure appears to be a calculation of overall US exports affected, rather than a fair calculation of compensation warranted by the US. An eventual EU figure would probably be well below that estimate," one said.

There have also been disagreements between the two over interpretation of the Gatt rules on how compensation should be calculated and over what period tariff changes should be assessed.

The EU insists it will take an overall view of the impact on US rather than compensating sector by sector. "We do not want to change all the tariff lines and will argue certain products should be grouped together," an official said.

The Commission contends that taking the three new countries together, lower tariffs in agriculture will more than offset higher tariffs in industrial goods, and that enlargement carries extra benefits, such as a bigger market.

The US has so far insisted the EU must offset each tariff increase and dismissed the argument that lower duties on some products will offset increases on others. It has argued that the tariff rises could impose large additional duties on a range of products such as semiconductors, forest products and chemicals.

Under the interim agreement, the EU reduced tariffs on a range of goods such as crayfish and certain categories of semiconductors, chemicals, plastics and medical equipment. EU officials expect that compensation in the final agreement will take the form of temporarily reduced import duties or the abolition of suspended tariffs.

Claims for compensation have also been made by Canada, Japan, South Korea, Indonesia, Thailand, Iceland, Australia and New Zealand. Under the mandate, Sir Leon will hold bilateral negotiations under procedures laid down by Gatt. The final package, to be agreed by June, will have to approved by the World Trade Organisation.

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INTERNATIONAL PRESS REVIEW

Ex-ally heaps scorn on 'peasant' Lech

POLAND

By Christopher Bobinski

Mr Lech Walesa, the Polish president, has grown accustomed to large dollops of political and personal vitriol. The years when, as leader of the anti-communist Solidarity trade union movement, he could do no wrong have long been a distant memory. For the press, too, the Nobel peace prize winner has long ceased to be a hero.

Mr Walesa's latest outburst in which he threatened to dissolve parliament has produced a particularly venomous attack from one of his closest former allies, Mr Adam Michnik, a veteran anti-communist campaigner and editor of *Gazeta Wyborcza*, once Solidarity's underground newspaper.

"For God's sake Lech, come to your senses," says Mr Michnik. He argues that it is the president's peasant background that has led him to go to extreme lengths to defend his powers: "Walesa has a peasant view of property. A peasant has a house, a barn, a cow. Anyone who wants to take them away is a thief who has to be chased away with a pitchfork. Walesa has his presidency. He thinks he owns it. And he thinks he can take a pitchfork to anyone who wants to take his post away."

Mr Michnik assumes that the president wants to take his pitchfork to 460 deputies and 100 senators. "He simply wants to dissolve parliament counter to the constitution but without using force," he writes, warning his erstwhile ally that "once the mechanism of confrontation begins to run then usually it gets out of control".

But the newspaper is critical, too, of the prime minister, Mr Waldemar Pawlak, and sees the answer in the formation of a new government "which would be able to resist president Walesa's authoritarian endeavours".

Mr Dariusz Szymczycha, the editor of *Trybuna*, once the Communist party mouthpiece, does not go as far as to ask for a new cabinet. After all, his party, the Left Democratic Alliance (SLD), is a member of the governing coalition.

Nevertheless, he suggested in his daily at the weekend that the Peasant party (PSL) should at times change its style. He also hints it should ditch the dour and uncommunicative Mr Pawlak as prime minister and chose someone else. "Should we change the government? No. But we should change politicians and the present style of politics," he says.

Prime Minister Pawlak: under pressure to go Reuter

All this does not mean that Mr Walesa is completely isolated and has lost his skill in maintaining the political initiative. Mr Igor Zalewski, writing in yesterday's *Zycie Warszawy*, marvels at the way the president has built up the political tension over the past few months culminating in the push against parliament.

"Lech Walesa is a master of psychological warfare," he says, describing the way that parliament has been brought to the edge of a nervous collapse by the threat of dissolution.

"He can exhaust and stupefy an opponent so successfully that in the end his rival loses faith in his own powers and begins to deliver suicidal blows."

Mr Walesa's magic may well stem from the fact that when it comes to this autumn's presidential election, many of his one-time supporters and present critics will nevertheless vote for him as the lesser evil in a contest with a strong candidate of communist stock.

Mr Dariusz Filar, writing in the *Przeglad Polityczny*, a quarterly published by a group of free market liberals, urges that the whole of the bitterly divided Solidarity camp should coalesce around Mr Walesa and support his presidential bid. "Walesa's victory in the presidential election would preserve the status quo," he says. "This might not be a very exciting prospect but one we can live with."

However, it is not the commentators who are making the running in forming views about politics, but the young reporters, many working in radio, who have surrounded the parliament building with their microphones and tape-recorders.

Indeed, with hundreds of journalists accredited to parliament it seems at times that the young media people threaten to outnumber the, mostly older, deputies.

The predominance of younger journalists reflects the fact that many of their senior colleagues were tarnished by working for the communist press and have retired or gone into other jobs. While these young people have mostly done well in keeping Poles informed, there has often been a distinct shortage of serious comment.

Polish coalition partners at odds

By Christopher Bobinski in Warsaw

The partners in Poland's coalition government, which is already threatened by a confrontation with President Lech Walesa, turned on each other at the weekend when the former communist Left Democratic Alliance (SLD) called for the removal of Mr Waldemar Pawlak, the prime minister, who heads the Peasant party (PSL).

The call came after a stormy meeting between Mr Pawlak and SLD deputies in parliament but was met by a unanimous vote of confidence in their leader by PSL's members. At the same time, the PSL reiterated that it wanted the coalition to continue and offered to bring Mr Alexander Kwasniewski, the SLD leader who at present holds no government post, into the cabinet as a deputy premier and foreign minister. At the weekend Mr Kwasniewski said he was ready to become prime minister should the need arise.

The SLD has said that Mr Pawlak's political style has led to a breakdown of trust between the two coalition partners and that it is ready to accept another PSL politician as premier. Disputes over the nominees for the vacant posts of defence and foreign minister have brought to a head latent mistrust between the parties. Also the SLD believes a change at the top is needed if the government is to survive the present confrontation with Mr Walesa.

The president has threatened to dissolve the democratically elected legislature and call new elections. Mr Walesa, who faces a presidential election this autumn, has come to the conclusion that the downfall of the present parliament, which has another two and half years of its term to run, will improve his own electoral chances.

On Saturday, the deputies passed a resolution by an overwhelming majority made up of both government and opposition members, saying the president had no legal right to dissolve parliament. The deputies warned that such a move would lead the president to be tried by the Tribunal of State, a court reserved for top government officials.

Opposition groups in parliament repeated their calls for a caretaker non-party government of national unity.

هكذا من الاصل

Bosnia allies agree plan to calm tension

By Edward Mortimer in Munich and Paul Adams in Belgrade

Bosnian Croats and Moslems agreed yesterday to submit all disputes between them to an international arbitrator, in an attempt to prevent long-running tensions between the two communities tearing the year-old federation apart once more.

The agreement was announced after a meeting between Bosnian representatives in Munich chaired by Mr Richard Holbrooke, US assistant secretary of state for European affairs, and attended by the Croatian foreign and defence ministers, as well as representatives of France, Britain, Germany and Russia - the four states which, with the US, form the "contact group" on former Yugoslavia.

The mediator, whose decisions will be binding on all parties, will be selected by mutual agreement, Mr Holbrooke said, adding that no names had been put forward yet.

Mr Haris Silajdzic, who is prime minister of the federation as well as the republic of Bosnia-Hercegovina, described the federation formed last February to end nearly a year of Moslem-Croat fighting as the "bedrock and key" of the Bosnian peace process.

The US-brokered federation plan - one of the rare successes for international diplomacy in Bosnia - has been in jeopardy for months. Plans to establish joint Moslem and Croat military commands and civil institutions have failed, and hundreds of thousands of refugees remain to be repatriated.

Many of the difficulties have centred on the southern city of Mostar, destroyed by some of the worst Moslem-Croat fighting and still, after almost a year of relative peace, a sullen, divided place. Under the new plan, mediating groups will attempt to resolve disputes in conjunction with the city's EU administrator, Mr Hans Koschnik. He has blamed Croat nationalists for obstructing attempts to reunite the city.

One bridge has been repaired, and another, the famous 15th-century Ottoman footbridge blown up by Croat gunners in 1993, is due to be restored by the summer of 1996. The city's utilities are gradually returning to normal.

But Moslems and Croats still live on opposite sides of the Neretva river and mutual suspicions have prevented the formation of a mixed police force.

Croat nationalists in west Mostar cling to the idea of a separate Croat state in Bosnia, with the city as their capital. Their ambitions are unlikely to be much affected by yesterday's agreement.

● The Bosnian government and the Bosnian Serbs have agreed to reopen roads across Sarajevo airport for civilian traffic from today, UN sources said. The deal was brokered two weeks ago by former UN commander General Michael Rose. Opening the roads will allow civilians to move in and out of the city for the first time since last summer.

FT GUIDE TO ECONOMIC CONVERGENCE

What is economic convergence, and why is it suddenly in vogue?
It is the process whereby the 15 member states of the European Union are supposed to move progressively towards the economic virtue required for membership of a European monetary union. The term is tripping off people's tongues because politicians and bankers believe that Emu may happen, and they want a serious debate about the feasibility and the consequences of monetary union. Eddie George, governor of the Bank of England, offered his five pennies' worth last week in Paris.

What did the governor say?
Mr George said there was a risk of economic issues being submerged as everyone focused only on the timetable and potential membership for Emu. He argued that countries with high unemployment might continue to need to devalue their currencies and to lower their wages to stay competitive. But in a monetary union, you obviously dispense with the exchange rate as a tool of economic management.

Isn't it a little late to be complaining about the risks of Emu? After all, the Maastricht treaty has specific provisions for a move to a single currency by the end of the century.
The treaty says that a move to monetary union can be triggered in 1997, but only if a majority of member states meets tough targets on budget deficits, government debt levels, exchange rate stability and interest rates. In 1999, you do not require a majority - just those countries which meet these so-called convergence criteria.

There you go again with the "C-word".
Point your finger at the Bundesbank. The German central bank's view, widely shared in Euro-sceptical circles and among certain economists, is that a monetary union will not work unless there is genuine economic convergence among Emu candidates. That means that the convergence criteria must be applied rigorously so that only those fittest for monetary union survive; but it may also mean closer co-operation on fiscal policy.

What are these convergence targets, and who is keeping a watch on performance?
Now that the Maastricht treaty has been ratified, the European Commission, the Council of EU finance ministers and the European Monetary Institute (precursor of the future European central bank which would supervise the single currency) are continuously assessing the economic policies of all member states that are pursuing so-called "convergence programmes". The EMI and the Commission will present a report in 1996 on the progress of each member state, and make recommendations to the Council on eligibility for Emu membership.

Right, but what precisely are the targets?
A budget deficit of less than 3 per cent of gross domestic product; total government debt that is no more than 60 per cent of GDP; an inflation rate close to, at most, that of the three best performing member states; and the observance of "normal" fluctuation margins within the exchange rate mechanism of the European Monetary System, without devaluing against the currency of any other member state.

Most deals in Europe involve fudge and compromise, so why should the Emu strictures on convergence be any different?
Hmmm. Maastricht is a little slippery in places. For example, the nominal debt and budget deficits targets are not set in stone. On excessive deficits, the treaty says that a member state could be deemed eligible, provided "the ratio (as a proportion of GDP) is sufficiently diminishing" and moving toward the target "at a satisfactory pace". Also, finance ministers have decided that the new 15 per cent fluctuation margins in the ERM - which in August 1993 replaced the old bands of 2.25 and 6 per cent respectively - are normal.

So how is everybody doing?
At the latest reckoning, only Luxembourg met all the convergence criteria. But the picture is improving progressively because of the burgeoning recovery in Europe. Assuming that the criteria are interpreted generously in 1997, as many as seven countries might conceivably qualify: France, Germany, Belgium, the Netherlands, Luxembourg, Austria and, perhaps, Ireland. Ironically, the UK could probably meet the criteria, but prime minister John Major has said membership would not be "remotely appropriate" and he would not recommend a deal to the House of Commons. Denmark, another strong Emu contender, is also bound by its treaty opt-out, but could try to wriggle out through a referendum.

Surely economies such as Greece, Portugal, Britain and Germany are very different - more likely to diverge than converge?
The theory is that all these countries belong to the single European market, and that their economies will converge assuming they follow their individual convergence programmes and allow for a multi-speed approach to Emu. On the other hand, some countries - notably Britain - are much more sensitive to movements in interest rates because they are tied more closely to the housing market.

That last remark about the housing market suggests that it is wrong to talk about economic convergence without political convergence.
Karl Marx could not have put it better. The big question which EU member states face in the run-up to Emu is whether they need to intensify political integration in order to balance the economic integration which comes with the introduction of a single currency, and the power of the future European central bank. Eddie George quietly suggested last week that the economics of Emu need a good deal more discussion. The same applies in equal measures to the politics of Emu.

Lionel Barber, Brussels

Ministers press for expansion of Nato

By Edward Mortimer in Munich

Resounding calls to preserve, strengthen and even expand Nato were issued at the weekend by defence and foreign ministers from all the main allies, gathered for the annual "Wehrkunde" security conference in Munich. Yet their words were belied by continuing sharp disagreement over Bosnia, and by their obvious uncertainty about how to deal with Russia.

General Pavel Grachev, Russian defence minister, had been due to attend, but his German colleague, Mr Volker Rühe, told him he would be unwelcome after his vitriolic denunciation of the Russian human rights ombudsman who publicly criticised army behaviour in Chechnya.

Gen Grachev's place was taken by Mr Sergei Yushenkov, chairman of the defence committee of the state duma (lower house of parliament) and a member of the liberal Russia's Choice party.

He impressed the conference with a speech denouncing the Chechnya war, but also warned against Nato expansion which he said would give Russia a sense of isolation, fostering anti-western sentiments and delivering "a probably fatal blow to arms limitation regimes".

In spite of this both US and German leaders spoke strongly in favour of expanding Nato, claiming this could be combined with a policy of dialogue and co-operation with Russia - a theme echoed by the Hungarian and Czech foreign ministers and a former Polish defence minister, who, like the Russians, had been invited for the first time.

Mr William Perry, US defence secretary, called on Russia to respect human rights in Chechnya, saying "we have been appalled about Russia's tactics", but he also suggested that co-operative arrangements with Russia could be codified in a charter or memorandum of understanding, with "some sort of standing consultative commission to provide formal structure for our Nato-Russia relationships".

Consultations might begin by "affirming some rules of conduct for European security". But, as Mr Yushenkov had pointed out, in Chechnya Russia had broken many of the rules already established, including those it had signed up to at the Budapest summit in early December, just days before beginning the assault on Grozny.

Nato's performance in Bosnia was savagedly attacked by US senators belonging to the new Republican majority, but defended with equal vigour by Mr Malcolm Rifkind, Britain's defence secretary, and Mr Alain Juppé, France's foreign minister. Every European speaker pleaded with the US not to lift the arms embargo, warning of dire consequences not only in Bosnia itself but throughout the Balkans.

But Senator John McCain of Arizona warned that all 11 new Republican senators would vote to lift the embargo, and that "within a period of time" there would be sufficient votes. Mr Perry said the administration would oppose a unilateral lifting of the embargo, but did not say whether President Bill Clinton would veto it.

Political shifts raise hope for Cyprus

Economic reality is forcing both Turkey and Turkish Cypriot leader Rauf Denktash to soften their hardline policies, writes **John Barham in Nicosia, North Cyprus**

EUROPEAN INTERVIEW

Could the beginning of the end be approaching for the 21-year division of Cyprus? After so many false starts and dead ends it is hard to believe so. Yet economic reality seems to be forcing both Turkey and Mr Rauf Denktash, 71, president of Turkish north Cyprus, to soften their hardline policies.

In January, Mr Denktash, for more than 30 years the undisputed leader of the island's Turkish minority, announced a 14-point proposal to break the deadlock with the majority Greek community.

They hardly sound revolutionary. They include acceptance of confidence building measures arduously drawn up by United Nations negotiators. They include the eventual demilitarisation of the island - one of the most heavily militarised places on earth - and the exchange of territory to seal a solution based on a federal government for a united Cyprus.

Proposals like these have been batted back and forth across the "Green Line" dividing the two communities for years with no effect. Yet there is hope that a solution is no longer impossible.

The Turkish population of about 100,000 realise they cannot maintain their republic in the face of international rejection. Northern Cyprus is recognised only by Turkey and is being slowly throttled by international sanctions.

Yet the notoriously intransigent Mr Denktash, who has announced his intention to run for another term as president in elections in April, still sounds as uncompromising as ever. In an interview with the Financial Times, he blamed the two decade impasse on the Greek Cypriots. They could not accept "negotiating face to face on the basis of equality" with Turkish Cypriots, he said, because "the world would see two equals talking. They shun this as if it were the devil."

Rauf Denktash: 14-point proposal to break the deadlock with the majority Greek community.

However, the ground beneath Mr Denktash is moving. His sponsor Turkey, which invaded the island in 1974 and still stations 30,000 troops there, urgently needs an arrangement over Cyprus that will satisfy the European Union. The EU has told Mrs Tansu Çiller, Turkish prime minister, that she must help resolve the Cyprus problem as part of its price for agreeing a customs union in January 1996.

Greece has demanded that the EU give Cyprus a timetable for entry and has vetoed the proposed EU-Turkey customs union on the grounds that Turkey remains in occupation of Northern Cyprus.

Up to now, the understanding has been that Cyprus cannot join the Union until the divided island reaches a peace settlement. However, under a plan put forward by France and the European Commission last week, Greece would agree to drop its opposition to the customs union by March 6. In return, the EU would open accession negotiations with the Greek Cypriot government "no later than six months" after the conclusion of the 1996 inter-governmental conference to review the Maastricht treaty. Most believe the IGC could last at least 18 months.

The plan is to be discussed at a meeting of EU foreign ministers in Brussels today where the timetable is expected to be controversial. Union foreign ministers and their Turkish counterpart, Mr Murat Karayalçin, are to meet in Brussels on March 6 to take a final decision on customs union.

Mr Denktash angrily rejects the Greek Cypriots' "illegal application" for EU membership, fearing it would lead to backdoor union with Greece. Still, he says, "we are ready to look at it, think about it and decide on it". If Turkish Cypriot rights are threatened, he vows northern Cyprus will seek integration with Turkey - an idea probably with few supporters in Ankara these days.

Many Cypriots believe Turkey is forcing Mr Denktash into talks. Mr Denktash denies he is acting under duress. "We are grateful to Ankara, but we are not the tools of Ankara." He says his latest proposals signify no "change of attitude or policy, but we can say that we have polished things".

Cyprus, he insists, will emerge as a bi-zonal federal state, meaning that the Greeks will remain in the southern zone covering two-thirds of the island. Mr Denktash says there is no question of Greek Cypriots returning to their former homes in the north - one of their main demands. He merely envisions minor adjustments to the existing division line.

Cypriot President Glafcos Clerides, he says, should not "give hope to [his] people that they may come back, because no Turkish Cypriot will go to the south after going through hell for 11 years from 1963 [when communal violence escalated] to 1974."

Like many of their generation, the two leaders know each other well and speak each other's language fluently. They met in 1949 when Mr Denktash was a prosecutor under the British colonial administration and Mr Clerides a defence counsel.

The two communities have lived separated by the Green Line since 1974. Movement across the line that crosses Nicosia (now the world's only divided city) is nearly impossible. The new generation of Greek and Turkish Cypriots know little about each other, apart from propaganda fed by their schools and media demonising the other side.

Although no one on the Turkish side wants a return to the pre-1974 Greek-dominated state, nearly all are eager for a settlement that would end the economic embargo and improve living standards.

But Mr Denktash, defiant as ever, says his 14 proposals are "our final show of goodwill. This is our final attempt to solve the Cyprus problem."

Mitterrand speech strains French-Algerian relations

By John Ridding in Paris

Relations between France and Algeria have been strained by a proposal from President François Mitterrand that the European Union should sponsor peace talks between the military-backed regime in Algiers and its Islamic opponents.

The Algerian leadership responded angrily to the proposal, recalling their ambassador from Paris for consultations over the weekend and issuing a sharp criticism of the French president. Algerian state radio condemned Mr Mitterrand for "interfering" in the country's affairs and accused him of "a visceral hatred of independent Algeria".

French officials sought to limit the impact of the incident, describing Mr Mitterrand's suggestion as "a speech, not a plan". The French president himself described as "a hope, not yet a policy" his suggestion that the EU could hold a conference based on a platform for a ceasefire and democratic elections adopted by Algeria's secular and Islamic opposition parties in Rome last month.

The Islamic Salvation Front (FIS), which was outlawed by the military-backed regime after being poised to win general elections in 1992, welcomed the proposal. A US-based official told AFP, the French news agency, that while the Algerian conflict must be settled by Algerians, external action could be helpful to bring the parties together.

He said the Rome negotiations could provide the basis for further talks.

The Algerian government has condemned the negotiations and will be further antagonised by Mr Mitterrand's intervention.

Tensions in its relations with France have already become apparent since the hijacking of a French airliner in Algiers at Christmas and a dispute about whether the aircraft and its Moslem fundamentalist hijackers should be allowed to leave Algerian territory. After a successful storming of the aircraft in Paris, France announced it was suspending air and sea passenger services to Algiers until security was improved.

The escalation of the civil war in Algeria, which has claimed more than 30,000 lives in three years, and the risk of it spreading to France, have prompted Paris to distance itself from hardliners in the Algerian leadership and to step up calls for a negotiations to resolve the conflict.

Mr Alain Juppé, the French foreign minister, expressed support for the Rome negotiations which brought together representatives from Algeria's former ruling party, the National Liberation Front (FLN), the Socialist Forces Front (FFS) and the FIS.

While seeking to affirm its neutrality in the conflict, however, the French government has indicated that it will continue to provide economic aid and financial assistance to Algeria. Last month, Mr Charles Pasqua, the hardline interior minister who has led a crackdown on Islamic fundamentalism in France, said economic assistance was necessary to prevent chaos in its former colony.

Diplomatic observers in Paris said Mr Mitterrand's proposal may have been designed to exacerbate divisions on Algerian policy within the centre-right government, and in particular between Mr Pasqua and Mr Juppé. But they added that it also reflected increased international concerns about the escalation and possible spread of the conflict.

A Washington man goes skiing near the Capitol after heavy overnight snow at the weekend. Story, Business Travel Page AP

Bombing raises questions about who speaks for rebels

Roula Khalaf on the contrasting responses from two FIS 'leaders'

In the wake of the most ferocious attack in Algeria's three-year civil strife, western observers last week anxiously waited for the Islamic Salvation Front's (FIS) reaction. The conflicting statements that ensued, however, have generated more questions than answers.

On Wednesday, Mr Anwar Haddam, the Chicago-based representative of the FIS's "parliamentary delegation to Europe and the US", said the explosion in the heart of Algiers was part of the armed struggle against the military-backed government and was aimed at the capital's police headquarters, not civilians.

The next day, however, the office of Mr Rabah Kebir, who lives near Cologne and is head of the FIS' "leadership in exile", issued a statement denouncing the attack, which left 42 people dead, and hinting that it had been carried out by government security forces – a claim echoed by some analysts of the Algerian crisis.

The confusion testifies to the FIS' struggle to formulate a policy in the face of the government's adamant refusal to enter dialogue, as urged by the Rome peace platform. This peace plan, agreed by the FIS and other opposition parties in January, commits the FIS to the principles of democracy and alternation of power and calls for a cessation of hostilities leading to a transitional government and new elections.

Since 1992, when the government cancelled elections which the FIS was expected to win and subsequently threw thousands of supporters in prison, Mr Kebir and Mr Haddam have emerged as the two FIS spokesmen.

Mr Kebir, a 38-year-old physics teacher, can claim to speak for the FIS leadership, which now consists of the two party founders, Mr Abassi Madani and his second-in-command Mr Mr Ali Benhadj, both under house arrest, and five members of the FIS's Majlis Al Shura or Consultative Council, freed from jail last year.

Mr Kebir was a top member of the FIS' Provisional Bureau, the body set up to prepare for the 1991 elections. When the elections were annulled, Mr Kebir was arrested but eventually made his way to Germany in August 1992, where an application for political asylum has been blocked by the Interior Ministry. With an appeal pending, Mr Kebir is under scrutiny by German authorities, which restrict his movements in and out of the country.

These restrictions help explain the prominence enjoyed by Mr Haddam, who was never part of the original FIS leadership but was one of the 188 FIS members elected in the first round of legislative elections in 1991. When elections were cancelled, a few would-be parliamentarians went to plead the cause of the FIS in western capitals. Mr Haddam's fiery style, coupled with the fact that he was granted a visa to live in Chicago, have allowed him to rise above the rest of the group. He even keeps an office in Washington and is received by US officials.

Mr Haddam's allegiances have always been murky and his rhetoric more disconcerting than Mr Kebir's. According to observers of the Algerian crisis, Mr Haddam left the FIS last year to join the Armed Islamic Group (GIA). This is the name given to the patchwork of extremist Islamist groups, only some of whom operate under one command.

When the government decimated the FIS structure by cancelling the elections and imprisoning its leaders, many of Algeria's disillusioned and unemployed urban youth – once a pillar of the Islamist party – took up arms and pledged allegiance to groups like the GIA. Today, the GIA is also believed to be infiltrated by Algeria's security forces.

This is why analysts give little credence to many GIA statements, whether they be claims of responsibility for attacks or statements of positions. As Mr Hocine Ait Ahmed, the secular leader of the Socialist Forces Front, one of Algeria's largest parties, says: "The difficulty in verifying the authenticity of claims of responsibility can give rise to all kinds of manipulation. It is a characteristic of this war that we don't know who is killing whom or why."

Why do FIS leaders allow Mr Haddam to continue to speak in the name of the party? After all, it was Mr Haddam who attended last month's Rome meetings and signed the Rome declaration on his and Mr Kebir's behalf. "Haddam was the only one who had freedom of movement and he is the only other well known leader, so it is assumed that he has a following," says Ms Severine Labat, an Algerian scholar at CERI, the French international relations institute.

Mr Haddam's more radical rhetoric also appeals to the extremists, and this makes him valuable to the FIS. For when attempts at dialogue with the government collapsed last year, the FIS lost the advantage to groups like the GIA. It sought to regain it earlier this year by entering into a declaration acceptable to Algeria's other political parties.

With the government's intransigence towards the Rome platform, however, the FIS, faces two equally problematic options. If it continues to follow the conciliatory line adhered to in Rome, it risks further alienating an already shaky support base. If it chooses the hard line, it risks being discredited in the eyes of the west.

Ms Labat, an expert on the FIS, says the origin of the bomb will remain a mystery and it may be that neither Mr Kebir nor Mr Haddam know who was responsible. She points out that it took Mr Kebir three days to issue his statement. Mr Haddam, meanwhile, may claim knowledge and use it to remind the international community that Algeria's infernal spiral of violence will intensify in the absence of talks. He says as much: "The armed struggle against the government will continue and will not stop until the military accepts the platform of Rome."

Mr Kebir and Mr Haddam are also addressing different audiences. While Mr Kebir is speaking to western governments calling on the military junta to enter into talks with the FIS, Mr Haddam's audience is the young Islamist guerrillas who want no better than to believe that the attack was launched by one of their own. As one analyst of the Algerian crisis says, "Why not claim responsibility for something the government has in any case blamed on you?"

Israel to keep West Bank and Gaza closed off

By Julian Ozanne in Jerusalem

Israel yesterday decided to maintain a two-week-old closure of the Gaza Strip and occupied West Bank despite appeals by Palestinian and Israeli officials that it is harming the Palestinian economy and morale.

A decision on easing restrictions which prevent tens of thousands Palestinians travelling to their jobs in Israel will be taken on Thursday during a meeting between Israeli prime minister Yitzhak Rabin and Mr Yassir Arafat, the Palestinian leader.

Officials indicated there might be some relaxation of restrictions for humanitarian reasons and to allow the movement of goods, which has been frozen since the closure was imposed after an Islamic suicide bomb attack last month left 21 Israelis dead.

Palestinians have condemned the closure as collective punishment and a virtual economic blockade, and have warned that maintaining the restrictions could have a negative impact on peace talks.

However, even left-wing cabinet ministers supported the closure yesterday as a necessary step to win back public confidence following attacks by Palestinian extremists. "I am against any step that will further shake Israeli public confidence in the peace process," said education minister Amnon Rubinstein of the left-wing Meretz party.

But ministers said Israel and the Palestinians would resume peace talks in Cairo this week on implementation of the next phase of the process, calling for redeployment of Israeli troops in the West Bank ahead of Palestinian elections. Mr Yossi Sarid, environment minister, said the negotiations could be concluded within four months if Mr Arafat cracked down on extremist Palestinian groups responsible for attacks on Israelis.

Talks on promoting trade and investment will be held this week by the trade ministers of Israel, Egypt, Jordan and the Palestine Liberation Organisation during a visit by Mr Ron Brown, the US commerce secretary. Mr Brown said the meeting was a vital step in cementing Middle East peace and consolidating regional integration. "To build lasting peace and stability, we must ensure the region has strong economic foundations," he said.

Mr Brown, who is travelling with chief executives of 10 US companies, also plans to visit Jordan, the West Bank and Gaza Strip, the United Arab Emirates, Qatar and Kuwait.

● Israel's cabinet yesterday decided to back the decision to abolish the unpopular capital gains tax on share profits, in a move designed to revive the depressed stock market and shore up government popularity. But although the market rose almost 12 per cent last week when abolition of the tax was announced by finance minister Avraham Shochat, investors remain cautious about the economic future.

The Mishtanim index of the top 100 blue chip companies fell 3.6 per cent yesterday, closing at 166.83.

Brazil's president struggles to reverse bad first month in office

Cardoso's popularity had only one way to go from 70 per cent approval, reports **Angus Foster**

Presidents taking office with 70 per cent approval ratings know there is only one way to go. But the sharp fall in popularity of Brazil's new president, Mr Fernando Henrique Cardoso, since he was sworn in on January 1 has surprised even his opponents.

A Datafolha poll last week found the proportion of people rating his government as good has almost halved, to 36 per cent, while those considering it bad has tripled to 15 per cent. Apparently stung by the decline, Mr Cardoso went on nationwide television on Friday to explain a couple of tricky decisions he had been forced to make, including a veto on raising the minimum salary, which lay behind the fall in popularity.

"Neither the president nor his ministers are circus acrobats who do pirouettes, take the applause, then disappear," he said.

Mr Cardoso performed well, and even critics agree he is a sufficiently skilled politician to overcome his bad first month in office. But the poor start has rekindled concerns about whether he can push through a range of economic and political reforms which analysts say Brazil needs.

The president's chief problem was that the new Congress did not take office until a month after he did. The outgoing Congress, half of whom are not returning, easily outmanoeuvred Mr Cardoso on several controversial measures. The government also had to delay, leaving a sense of indecision, before delivering its reform proposals to the new Congress. Brazil's newspapers, used to rapid crises and scandals, grew bored with the lack of news and became increasingly negative throughout January.

Mr Cardoso's advisers say that the new Congress will be more supportive than the old and that he is backed by a broad alliance of party leaders. The government is due to deliver its first reform proposals, designed to modernise its creaking tax and social security systems, to Congress on February 16. Government whips are confident they will get the three-fifths support to make the necessary changes to the constitution.

In his TV address, Mr Cardoso also highlighted the successes of his first month in office. Tax measures and a pro-competition law on public concessions were approved. Independent analysts pointed to how easily the new Congress elected as president the government's candidate, Mr Luís Eduardo Magalhães, showing the potential strength of government support.

Less optimistically, the new Congress has already displayed signs of mimicking the scandal and torpor of its predecessor. A senator for Roraima was elected to a senior Senate position even though he had been named in a congressional drug trafficking inquiry. After just a few days in office, two senators and one deputy have already switched parties. This continuing weakness of political parties suggests the government's majority is not reliable on some controversial subjects.

Mr Cardoso has also, so far, yet to silence critics of his style of government. An academic by training with considerable charm but little popular touch, he has spent most of his time in office in the capital Brasília and has scarcely appeared in public.

"He is a sociologist who is supposed to understand society, but you would not guess it at the moment," according to Mr Paulinho da Silva, a moderate union leader, who complains Mr Cardoso is not listening to such important sectors as the unions.

Mr Cardoso's veto of the minimum wage rise silenced critics who said that, with so little executive experience, he would have trouble pursuing unpopular policies. But his clumsy handling of the issue raised fresh questions about the speed of decision-making in his government.

The veto was embarrassing because Congress has just voted its members, the president and his ministers pay rises of 100 per cent and more. In a symbolic gesture, Mr Cardoso announced on TV that he and his ministers would take a 25 per cent pay cut until the minimum wage was raised.

It was such a politically obvious move that analysts asked why Mr Cardoso had not made it 10 days ago to defuse the matter. According to a friend, the delay stems from Mr Cardoso's character. He is a cautious man who does not like to act until he has built consensus. At this speed, however, optimistic forecasts for quick approval of the government's reforms are likely to be dashed.

INTERNATIONAL NEWS DIGEST

Steady world growth expected

The world economy is set for steady growth and low inflation not seen for over 30 years, according to a forecast published today by the Centre for Economic Forecasting at London Business School. The forecast predicts that the gross national product of the G7 nations will grow by 3 per cent in both 1995 and 1996, with inflation below 2½ per cent in each year. The study says 3 per cent annual growth can be expected into the medium term. "This implies an average growth rate for the 1990s below that of the 1980s, but comparable to the 1970s," the economists say.

The latest edition of the centre's *Economic Outlook* finds that the Federal Reserve's interest rate policy has been "well judged", predicting that the US economy is on course for the "soft landing" financial markets are hoping for. It sees growth easing to just over 3 per cent in 1995 and 2.2 per cent in 1996, from 4 per cent in 1994. Inflation is expected to remain below 3 per cent.

All four main European economies – Germany, France, Italy and the UK – are expected to grow by 3 per cent or more in 1995, with France tipped as possibly the fastest growing.

The competitiveness of Italian exports should boost growth, but the report warns that inflation could be more than twice that expected in France and Germany. *Philip Gawith, London*

Confidence in US car market

Ford and General Motors have indicated separately that they believe the US car and truck market is continuing to grow robustly, despite fears that higher interest rates are beginning to weaken demand. Ford said its US vehicle sales in January were 2.7 per cent higher than in January 1994.

These figures came after monthly figures from General Motors and Chrysler, both of which had registered lower sales. However, the declines in reported numbers were due largely to the two companies' decision to bring forward the date they disclose figures by two days. Mr Robert Rewey, Ford's group vice president for marketing and sales, said that, among other things, the latest figures showed "no sign whatsoever" of a weakness in the market for sub-compact cars, which has been predicted in some quarters. *Richard Waters, New York*

New Japanese party wins

Japan's new opposition party yesterday won its first significant electoral test when the group scored a convincing victory in a rural governor's race. Former House of Representatives lawmaker Mr Morio Kimura of the New Frontier party, defeated the incumbent, Mr Masaya Kitamura of the Liberal Democratic party, by nearly 10 points in the election in northern Aomori prefecture.

The election was the only one of seven regional polls held where the NFP, launched just two months ago, went head-to-head with Socialist Prime Minister Tomiichi Murayama's coalition with the LDP. Mr Kitamura, 78, had been seeking his fifth term in an apple and rice growing area 500 miles north of Tokyo, regarded as one of the most secure electoral districts for the conservative LDP. "This is a big boost for our party," said Mr Keizo Nakashi, head of election strategy for the NFP, a party formed in mid-December from Japan's nine main non-communist parties. *Reuter, Tokyo*

Taiwan boost for foreigners

Taiwan is to expand overseas investment in the local stock market by permitting foreigners to hold 12 per cent of market capitalisation. The new rule would replace two limits to be abolished, one a ceiling of \$7.5bn (£4.8bn) in direct foreign investment and the other a \$2.5bn ceiling for money raised by local securities investment trusts overseas. However, a \$3bn limit on funds raised by local companies through convertible bonds and global depositary receipts remains.

A limit on a single foreign investor's holdings in any one Taiwan company will be raised to 6 per cent of capitalisation from 5, the statement said.

The central bank said the relaxation would mean that foreign investment could rise to \$29.75bn, calculated at values as of the end of December 1994, up from \$8.86bn in funds approved at that time. *Reuter, Taipei*

Singapore curbs credit growth

Singapore brings in a set of stiff regulations to restrict credit expansion today. The Monetary Authority of Singapore (MAS) issued guidelines to banks and finance companies over the weekend restricting unsecured loans to individuals who have annual incomes of at least S\$30,000 (£13,000).

Lending to individuals by Singapore banks rose by more than 47 per cent last year. "The Authority is concerned that this development could lead to excess credit expansion in the economy and over-concentration by banks and other financial institutions' loan business on loans to individuals," the MAS said. The MAS is particularly concerned about a steep increase over recent months in bank loans for car purchases. In future financing for car loans cannot exceed 70 per cent of the price of the car and all such loans have to be repaid in seven years. The restrictions are expected to cool inflationary pressures. *Kieran Cooke, Singapore*

Kyrgyz Communists backed

Kyrgyzstan yesterday held its first elections since gaining independence from the Soviet Union in 1991 in a test of the central Asian country's democratic credentials. Preliminary indications yesterday showed that the Communist party, which fielded the most candidates, had drawn considerable support. The full results will be known today.

President Askar Akayev, who advocated radical economic reform, said he would work with the new parliament whatever its political complexion. But a strong showing for the Communist party would be a setback for Mr Akayev, who won backing from international financial institutions for introducing a bold reform programme to stabilise the economy.

Mr Akayev dissolved the previous reactionary parliament, elected in Soviet times, in an attempt to break the political impasse between the executive and legislative branches of government which was frustrating further reform. Western diplomats said the move was unconstitutional and called for free elections. International observers were invited to scrutinise the vote, which will elect members to a two-chamber parliament. A representative from the Organisation for Security and Co-operation in Europe said the elections had been poorly organised but were still the most democratic in central Asia. *John Thornhill, Moscow*

Gas deal in Uzbekistan

A letter of intent to develop big gas fields in Uzbekistan has been signed by US, Russian and Uzbek companies. Enron, the US gas company, says the agreement signed with Gazprom, the Russian gas monopoly, and Uzbekneftegaz, the Uzbek state energy company, covers the development of 15 gas fields with reserves of 20 trillion cu ft.

The company said Gazprom had agreed to take the total output from the development. The Russian company will also be an equity participant in the venture, although equity shares have yet to be determined. *Robert Corzine, London*

Hope in Kazakh coal strike

A strike by coalminers in northern Kazakhstan lost momentum at the weekend after the government promised to act on the trades unions' demands to pay outstanding wages. More than 100,000 miners went on strike on January 13 to protest against the government's failure to settle wage claims amounting to 3bn tenge (£32m). The strike, which halted production at all but two of the 23 pits in the region was beginning to have a knock-on effect on the rest of Kazakhstan's fragile economy. The uncertainty was also unsettling foreign investors who have been attracted by Kazakhstan's vast natural resources.

After a cabinet meeting this week, the government promised to review the miners' demands and take additional measures to stabilise the industry. *John Thornhill, Moscow*

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NEWS: G7 SUMMIT

Germany expects fastest growth

By Peter Norman, Economics Editor

Germany is expected to be the fastest growing of the Group of Seven leading industrial countries next year and should also have the G7's smallest budget deficit in 1996, Mr Theo Waigel, the German finance minister said.

Citing unpublished IMF forecasts, Mr Waigel said Germany's growth rate was due to reach around 3 per cent this year, catching up with the growth rates of other G7 countries. Growth should quicken further to 3.5 per cent next year, he added.

Speaking after the weekend meeting in Toronto of finance ministers and central bank governors from the US, Japan, Germany, Britain, France, Italy and Canada, the German minister said strong growth would have a positive impact on the labour market. "We expect an appreciable drop in the number of unemployed this year," he said.

While Mr Waigel was the most upbeat of the G7 ministers, others shared his optimism about the world economic outlook.

Mr Robert Rubin, the US treasury secretary, said he still expected "solid growth with low inflation" in spite of the Federal Reserve System's increase of ½ percentage point in short-term interest rates last week.

Mr Yasuo Matsushita, the governor of the Bank of Japan, told reporters that "sustainable growth is possible" in spite of the Kansai earthquake.

Mr Paul Martin, the Canadian finance minister who hosted the meeting, said all ministers were very pleased with the present economic performance of the G7 countries. However, he warned there was "absolutely no room for complacency".

The G7 countries needed sound public finances and a non inflationary environment to sustain growth, shared prosperity and job creation. Structural reforms of labour markets were essential to reduce disincentives to work.

Mr Martin said the ministers had agreed that greater efforts had to be made to consolidate fiscal deficits and that all were committed to reducing the ratios of debt to gross domestic product in their countries.

Mr Waigel said Germany would keep the growth of federal spending markedly below the growth of its nominal gross domestic product in the medium term.

He said the German government adhered to the goal of a "leaner state" and forecast that the public sector's share in GDP would be reduced from about 50 per cent at present to 46 per cent by 2000. That would correspond to the level before unification.

See Observer

Chechnya 'threat to Moscow's budget'

By Robert Chote, Economics Correspondent

The cost of waging war in Chechnya threatens to break the Russian government's budget and further undermine progress towards stabilising its economy, according to Mr Theo Waigel, the German finance minister.

The finance ministers and central bank governors of the Group of Seven expressed unanimous concern about Russia's efforts to put down the rebels in the breakaway republic.

The G7 warned that Russia would have to push forward free market reforms if it wanted more financial help.

Mr Waigel said he was worried that economic reformers might have too little influence in the Russian government to keep up the momentum of the stabilisation process. He cited as evidence the fact that many key reformers had been distancing themselves from the Chechnya campaign.

"Everything depends on ensuring the reformers are in charge," agreed Mr Kenneth Clarke, the British chancellor of the exchequer.

But he added that the lifting of quotas on Russian oil exports at the start of the year and the progress of the budget through two of its three readings in the Russian parliament were hopeful signs.

Mr Paul Martin, the Canadian finance minister, said the G7 strongly encouraged the Russian government to continue free market reforms: "Further debt rescheduling for Russia will depend on the introduction of a comprehensive reform programme that will merit International Monetary Fund support."

IMF officials are already in Moscow trying to secure agreement on a new $6.25bn standby loan, having already loaned $4bn.

Mr Martin said the G7 was concerned that the costs of the war in Chechnya – estimated by some economists already to exceed $1bn – would put further pressure on the Russian government's already stretched finances.

He added that the G7 was also worried by the recent rise in Russian inflation, which has more than trebled to 16.4 per cent between August and December. The IMF has made a further loan agreement conditional on a robust package to bring down the inflation rate sharply again. The G7 finance ministers will meet Russian representatives in Washington at April's spring meeting of the IMF's policy-making interim committee.

Mr Waigel also gave his fellow finance ministers an encouraging report on his visit to Ukraine last month, arguing that the country's reform efforts deserved continued support.

Mr Martin said the G7 "welcomed the Ukraine government's implementation of bold and sweeping reforms since our last meeting".

Talks on Mexico breathe life into finance meeting

New boy Rubin takes crisis in his stride

By George Graham in Toronto

Mr Robert Rubin had expected his first meeting in Toronto this weekend with finance ministers from the Group of Seven leading industrial nations to be "rather formal and set". All the more so as the newly installed US Treasury secretary had some explaining to do after last week's rift between the US and Europe over the $50bn aid package for Mexico.

But, as he relaxed in his hotel room after a closing lunch with his European and Canadian colleagues – the Japanese finance minister had to leave early to fly back to Tokyo – Mr Rubin said the meeting had "turned out rather informal and freewheeling".

Far from ruining the atmosphere, he said, the Mexican crisis had given life to what might have been academic discussions on the future of the international financial institutions.

"The discussions here were materially different because of the Mexican experience. It has given people a real perspective on what it's like to deal with one of these things, rather than hypothesise about it," Mr Rubin said.

Rubin: ample loans experience

Mr Rubin, who took over from Mr Lloyd Bentsen as Treasury secretary less than a month ago, was plunged immediately into the Mexican crisis.

"I guess I signed up to do whatever came along. It's kind of interesting that the first thing that came along was something my own background peculiarly equipped me to deal with," said Mr Rubin. He had ample experience of putting together large loans in his 26 years at Goldman Sachs, the Wall Street investment bank.

But he was muted in his assessment of how much the finance ministers had actually decided on the issue of the international financial institutions, scheduled to be a principal topic of discussion when the G7 heads of government meet at their summit in Halifax later this year.

Mexico has heightened what Mr Rubin called the "parsing" of the problem, "but I don't think it has brought us any closer to what ought to be done". He was particularly cautious about the usefulness of tighter international surveillance of economic policies, which has become a regular phrase at G7 meetings.

"If you have heightened surveillance, and as a consequence, a more acute sense of what conditions are, what do you then do with that acute sense?" he wondered.

Ministers put Mexico rift behind them

Hurt European feelings seem to be soothed, writes George Graham

Despite the disagreement between Europe and the US provoked by last week's hurriedly concocted rescue package for Mexico, finance ministers and central bank governors from the Group of Seven leading industrial nations were at pains to put the rift behind them in Toronto this weekend.

"The concerns our European colleagues understandably had about the level of consultations are concerns that we can relate to, and I think they were resolved in the meetings," said Mr Robert Rubin, the new US Treasury secretary, at the end of his first G7 gathering.

But it was not just procedural differences that led six European governments to take the highly unusual step of formally abstaining when Mr Michel Camdessus, the International Monetary Fund managing director, asked for his board's approval last Wednesday of the IMF's share of the $50bn rescue plan: a total of $17.8bn, comprising an exceptional $10bn on top of the $7.8bn standby loan Mr Camdessus had negotiated with Mexico just a week earlier.

Underlying the split were serious disagreements over the substance of the package – disagreements compounded by the feeling of many European governments that the package had been foisted on them by President Bill Clinton without adequate consultation. One important source of the division was Germany's scepticism – shared in part by the UK, but not by France – about the extent to which contagion from Mexico might spread into a systemic crisis affecting all the emerging markets.

In the two days between Mr Clinton's announcement of the new Mexican rescue plan on Tuesday morning and the IMF vote late on Wednesday night, the Europeans pressed for two main kinds of change to the package: for the disbursement of cash to Mexico to be phased more gradually, and for an assurance that the $10bn the European central banks were reluctantly putting up through the Bank for International Settlements would receive some kind of priority over the US's $20bn when it came to be repaid.

Behind these seemingly technical complaints lay a number of issues of principle. These ranged from the moral hazard that an easy bailout for Mexico might discourage other countries from taking tough steps to correct their economic policies before a crisis, to the question of the US's particular regional responsibility to help Mexico.

"It's clear that Camdessus, Rubin and Summers [Mr Larry Summers, under-secretary for international affairs at the US Treasury] seriously misjudged the importance the Europeans attached to these changes," one European financial official said.

Germany was particularly insistent on the need for disbursements to be phased, and was outraged that Mr Camdessus had agreed to provide Mexico with $7.8bn in one chunk, to be available this morning. German officials felt this undermined the whole principle of conditionality under which IMF loans are usually made: the second half of the loan, they argued, should only be disbursed when Mexico showed that it was, indeed, carrying out the tough economic programme it had agreed with the IMF.

The original $7.8bn standby loan was to be disbursed in two tranches, as is normal with IMF standbys. German feelings were not soothed by the perception that Mr Camdessus had decided to disburse the entire amount upfront under pressure from the US – a perception which US officials deny.

'There will be a BIS loan, but on our terms, not theirs'

Although Germany did not win satisfaction on the first $7.8bn, it has received assurances that the supplementary $10bn safety net to be provided by the IMF will be properly phased.

France, which chose not to abstain from the IMF vote, focused more on the credit seniority of the different components of the $50bn package. Although the Europeans did not go so far as to insist that the $20bn from the US should be the first to be drawn and the last to be repaid, they wanted some recognition that the US money was not *pari passu* either with the $10bn to be put up by the BIS or with the IMF's supplementary $10bn.

Although European officials say the US has recognised the principle that its $20bn should be used first, US officials are reluctant to confirm this, and deny in particular that they have agreed to any rigid formula, such as the suggestion that $2 of US money would be drawn for every $1 from the IMF safety net.

Several European governments were particularly irritated that Mr Clinton appeared to have promised their money to the rescue package through the BIS's $10bn, on which they were scarcely consulted. Details of the BIS loan remain extremely vague, and European officials are taking the opportunity of the negotiations to reinforce the point that the US cannot throw other people's money about.

"There will be a BIS loan, but on our terms, not theirs," said a senior European finance official.

Those terms are now being worked out by officials, while the finance ministers have put their row behind them.

"What's done is done," said Mr Theo Waigel, the German finance minister, as he left Toronto.

Last-ditch deal between US and China cannot be guaranteed

Trade row likely to take negotiators to the brink

By Tony Walker in Beijing

US officials have seen it all before, but they are not taking for granted that the latest trade row with China will end like other such disputes of the 1990s – in a last-gasp agreement.

"We hope that agreement can be reached in the next three weeks before sanctions are due to be implemented," said one US official. "But we cannot be sure of a successful outcome."

On other occasions in the past three years, Beijing and Washington have approached the brink, only to pull back at the last moment. In January, 1992 the two sides reached an eleventh-hour agreement on steps to curb intellectual property rights violations after the US threatened sanctions and imposed a deadline.

In October of the same year a last-ditch agreement was achieved on market access for US products to China after Washington published a hit list of Chinese imports to be targeted with higher tariffs. Beijing threatened retaliation.

Then again, in January 1994, the two sides reached agreement on voluntary quota restrictions on Chinese textile exports to the US when a trade war threatened after talks had broken down in December 1993. Again, a sanctions threat appeared the catalyst to agreement.

The US is the third largest foreign investor in China behind Hong Kong and Taiwan and by the end of 1994 US companies had pledged about $20bn in investment. Although the disputes have posed serious potential disruption to trade, they are not the only rows to have bedevilled Sino-US relations during the 1990s. This period, which has seen China's trade surplus with the US balloon (from about $10bn in 1990 to $30bn in 1994) has been marked by persistent trade-related problems.

These range from arguments about dumping to access for American agricultural products to the Chinese market. China's reluctant agreement last year to allow trial shipments of American apples was regarded as something of a breakthrough.

Other issues that at various times cast a shadow over both commercial and political relations include US bans in 1991 and 1993 on exports of high-tech items such as super-computers in retaliation for Chinese transfers of missile technology – notably the M-11 missile to Pakistan.

Perhaps the most bizarre dispute of the 1990s came in 1993 when the the US navy intercepted a Chinese ship, the Yinhe, in the Gulf alleging that it was transporting substances to Iran for use in chemical weapons.

Inspection by Saudi Arabian technicians in the presence of Chinese and US officials found that there was no thiodiglycol and thionyl chloride on board as had been alleged.

Sino-US trade relations have also been buffeted in the past few years by the annual wrangle over renewal of China's Most Favoured Nation trading status in the US.

President Bill Clinton's decision last year to de-link trade and human rights opened the way for calmer resolution of the issue; but the Republican-dominated US Congress may well seek to use MFN renewal this year to put pressure on China on a range of issues, including human rights.

This latest argument over intellectual property rights may also further cloud talks on China's application to join the World Trade Organisation – the successor body to the General Agreement on Tariffs and Trade.

Discussion was due to resume in Geneva this month; although China has been demanding concessions from the US and others before it was prepared to return to negotiations.

Beijing has been accusing its Gatt negotiating partners of exorbitant demands and prospects for early agreement are not bright.

The possibilities of a calm resolution of the intellectual property rights dispute seem more promising, if only because the two sides have travelled down this road before without serious mishap.

On January 17 1992, the two sides signed a memorandum of understanding in which Beijing agreed to observe the international convention to protect patents and copyright. Mr Li Lanqing, China's foreign trade minister at the time, said China would do an "earnest job" to fulfil its commitment to eradicate intellectual property rights abuses.

But now, three years later, by any objective measure Beijing has failed to live up to its commitments. Piracy of such items as compact and laser discs, computer software, videos, books and magazines is even more blatant, and the counterfeiting industry has mushroomed.

Sino-US negotiations on intellectual property rights violations have dragged on for about a year.

Attempts to reach an agreement in Beijing late last month faltered but the two sides have reported significant progress.

China has not yet said whether it will send officials to Washington to continue the negotiations. On Saturday, Mr Mickey Kantor, the US trade representative, renewed the invitation for further discussions.

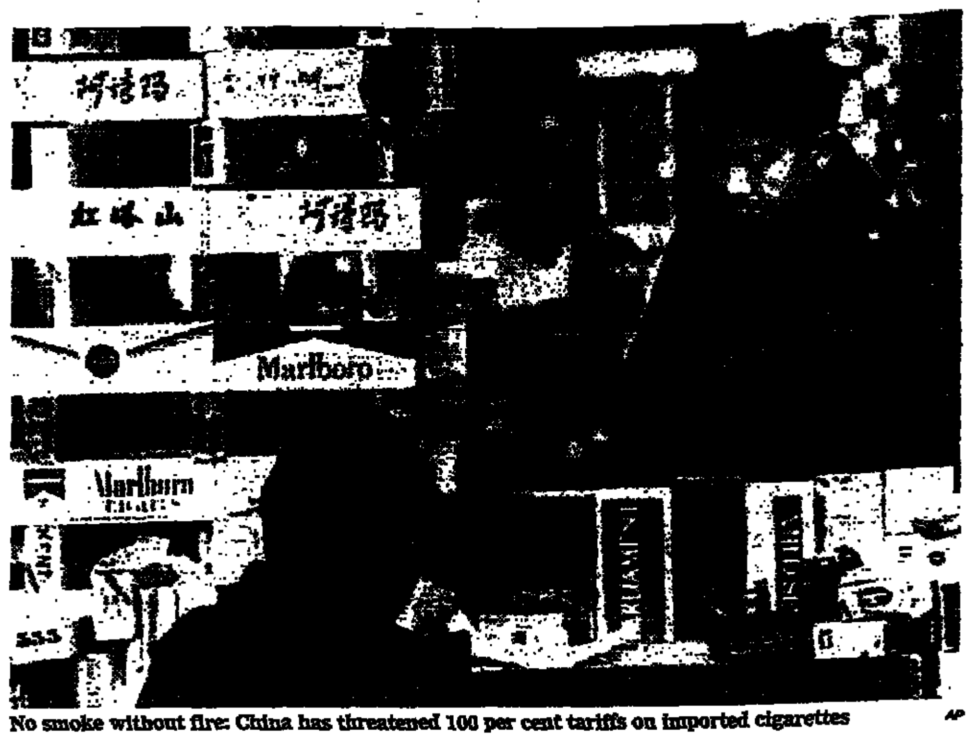
The US government, mindful of likely increased pressure from Congress and the American information and entertainment industry, has made it clear it will not be content with vague undertakings such as those provided in early 1992.

This time, the US is seeking early and verifiable "concrete" action against the counterfeiters. Further brinkmanship lies ahead.

See editorial comment

SAGA OF STORMY RELATIONS

■ June 1989: US imposes ban on military transfers to China after Tiananmen massacre. Ban remains in force.
■ June 1991: US bans exports of satellite parts and highspeed computers in retaliation for Chinese missile sales. The ban was lifted in February 1992.
■ November 1991: Deadline on curbing intellectual property rights violations. Deadline extended to January 16 1992. Last-minute agreement.
■ August 1992: US publishes 44-page hit list of Chinese imports to be targeted over lack of market access. Issue resolved October 1992 after last ditch discussions.
■ August 1992: Under pressure from Congress, memorandum of understanding signed on curbing exports produced by prison labour. Practice remains relatively widespread.
■ September 1992: China threatens tariffs against US products over proposed sale of 150 F-16s to Taiwan. Threat not acted upon – yet.
■ July 1993: US imposes punitive anti-dumping tax on imports of modular steel pipes. Dumping disagreements persist across a wide range of products.
■ August 1993: US re-asserts sanctions over exports of missile technology. Sanctions lifted in 1994.
■ December 1993: Trade war threatened over illegal trans-shipment of textiles beyond quote to US. Agreement reached at last minute in January 1994.
■ May 1994: President Clinton renews MFN and de-links trade and human rights.
■ December 1994: China and US at loggerheads over Beijing's application to join World Trade Organisation. Gatt talks stalled.
■ February 4 1995: US publish $1bn list of Chinese imports for punitive sanctions. China announces retaliation.



No smoke without fire: China has threatened 100 per cent tariffs on imported cigarettes AP

US business hails 'line in the sand' on piracy

By Nancy Dunne in Washington

When President Bill Clinton last year de-linked the issue of human rights from trade, it was meant to clear the way for a more business-like relationship but China has declined, or been unable, to do business.

Dealing with China has not been easy in the best of times, but the last year was particularly volatile. China's cancellation of McDonald's 99-year lease in a prime Beijing location has come to symbolise the arbitrary and capricious treatment many US businessmen say they have come to expect in China. Investors in power projects have found earnings capped at around 12 per cent and there remains the threat of new taxes on foreign ventures.

"US business is fed up," said Mr Greg Mastel, at the Economic Strategy Institute, a Washington-based think-tank. "Until the Chinese start playing, at least by their own rules, it is impossible to invest there comfortably or safely."

It was business, whose lobbyists hold increasingly more sway in Washington, which convinced the Clinton administration last year to break the link between trade and human rights. This decision is now viewed as having sent a signal of weakness to Beijing.

However, ending the threat to China's Most Favoured Nation status is still viewed as necessary. Threatening MFN withdrawal is tantamount to threatening economic nuclear attack; the fallout would injure US companies as well.

Imposing sanctions on $1.08bn (£690m) in imports is a more precise weapon, which leaves the bulk of trade untouched for now.

At this point Mr Mickey Kantor, the US trade representative, had no choice but to act. "China's failure to enforce the intellectual property rights of US companies and its persistent denial of market access for intellectual property-based products and industries has damaged US commerce and caused serious losses to American companies and workers," he said.

"We cannot stand by while the interests of our fastest growing most competitive industries are sacrificed."

He sees the US-China trade relationship as increasingly "unbalanced." While US exports to China rose from $3bn to $8.8bn a year during the last decade, China's climbed from $3.1bn to $38bn.

The Hong Kong trade office in Washington has been active on China's behalf – and on behalf of its own companies which play a key role in US-Chinese business relations. But Beijing has been unable to enforce its will in the provinces despite recent efforts and show trials of intellectual property rights violators.

No action has been taken against 29 factories, which mass-produce US counterfeit goods. This failure by Beijing is attributed in Washington to the power struggle over the succession to Deng Xiaoping, China's leader.

There is some belief that the sanctions will give political cover to the central government, allowing it to go after the pirates. At the very least, it imposes some pain in the provinces.

Meanwhile, China has had its own reasons not to co-operate, according to Professor Kenneth DeWoskin of the University of Michigan Business School.

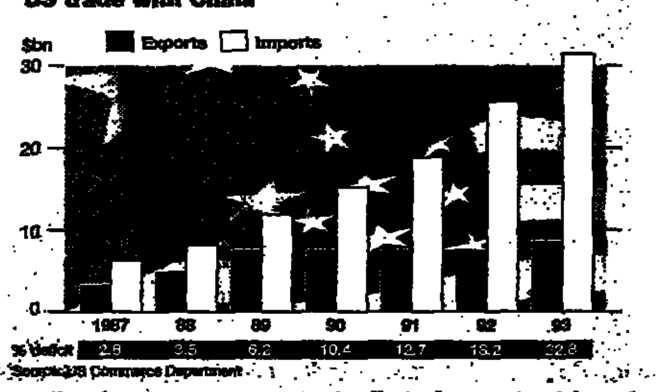
China's failure to gain entry into the World Trade Organisation is the final straw in US-led obstruction to Chinese economic development.

"Beginning with sanctions following Tiananmen Square, and including both the Chinese failure to gain permission to host the 2000 Olympics and the diplomatic morass surrounding MFN status, frustration with US policies has been growing steadily," he said.

Furthermore, what to the US is piracy is simply business as usual for the Chinese, he said. There is no concept of intellectual property as a right.

Although some US companies will suffer from the sanctions, most businesses and labour will unite behind them, according to Mr Jack Valenti, chairman of the Motion Pictures Association of America. "A line in the sand has been drawn," he said.

US trade with China



Source: US Commerce Department

HK calm as threat of tariffs grows

By Simon Holberton in Hong Kong

Hong Kong was keeping its head down at the weekend as the trade dispute between the US and China over intellectual property rights edged closer to the imposition of tariffs.

The colonial government said it hoped the two countries would settle their differences before the end of this month when US sanctions, and China's threatened counter-measures, become effective.

Hong Kong does not see its interests threatened by a negative outcome to the current Sino-US trade dispute as it has by outcomes to previous conflicts – notably the renewal of China's most favoured trading (MFN) status in the US market.

In the current dispute, the threatened imposition of punitive tariffs is estimated to cost Hong Kong less than one tenth of a percentage point of growth this year.

By contrast, the government estimated last year that the loss of MFN would throw more than 70,000 people in Hong Kong out of work and knock up to three percentage points off the colony's projected growth rate.

Nevertheless the government said it would continue to urge the US and China to take into account Hong Kong's interests. This plea is likely to fall on deaf ears in Washington, which is particularly annoyed by the failure of the Hong Kong and Taiwanese authorities to stop the re-export and sale of China-made pirated CDs and computer software.

At the weekend Mr Mickey Kantor, US trade representative, said Hong Kong and Taiwanese authorities had the power to stop this trade.

Mr Jimmy McGregor, representative for the Hong Kong general chamber of commerce in the local legislature, said he remained optimistic the US and China would avoid a trade war. The publication by the US of a list of products it would penalise if agreement were not reached was a "tactical" move, he said.

● Taiwan yesterday urged its companies to invest outside China as businessmen devised schemes to dodge a possible trade war between the island's two biggest trade partners, the US and China. Reuter adds from Taipei. A senior official gave a clear warning on the perils of China commerce and the island's top policymaking body toward the mainland called for a meeting of businessmen to discuss a worsening investment climate there. Some 25,000 Taiwanese-invested businesses capitalised at between $10bn and $20bn, operate in mainland China.

Restrictive practice claims put Microsoft back in firing line

Louise Kehoe on the controversial US software maker

Microsoft is again the centre of controversy over its dominant role in the world market for personal computer software and its ambitions to become a leading provider of "information highway" software and services.

Last week, Justice Department investigations took a different turn and the inquiries are said to reach far beyond the issue of whether the proposed merger of Microsoft and Intuit, publisher of Quicken, the market-leading personal finance program, will limit competition in the personal finance software market.

According to a legal brief filed by the Justice Department last week, a document purported to provide evidence of Microsoft's threatening behaviour toward a competitor was obtained only "recently...in ongoing investigations of the Microsoft Intuit transaction".

The target of four and a half years of investigation by the Federal Trade Commission and the US Justice Department's antitrust division, Microsoft appeared to emerge virtually unscathed last July when it agreed to enter a "consent decree" to narrow charges.

The company may have been premature, however, when it said the antitrust settlement would have "no material affect" on its financial performance and enable it "to put this behind us and move forward...avoiding further expense and distraction".

Far from silencing Microsoft's critics in the software industry, the court proceedings to approve the proposed antitrust settlement have produced new allegations of restrictive practices.

Unnamed competitors have charged that the industry leader deliberately pre-announces products to stall sales of competing products and that on one occasion Microsoft threatened another software company not to develop a product designed to work with a competitor's operating system program.

An extended Justice Department investigation of Microsoft's planned $1.5bn acquisition of Intuit has also put Microsoft back in the antitrust spotlight.

Microsoft maintains that critics of the antitrust settlement are raising "old issues" that have already been thoroughly investigated by federal authorities. The company also insists that the Justice Department's examination of its planned Intuit acquisition is "routine".

However, agency officials are said to be evaluating competitors' arguments that Microsoft might leverage its dominant role in personal computer operating systems – where it holds close to 90 per cent of the world market – to achieve prominence in other industry segments such as the online services sector.

Microsoft plans to launch its own service, the "Microsoft Network" later this year and has said that access to the service will be provided via a new version of its widely-used Windows operating system software.

Also worrying competitors is Microsoft's strategy of incorporating more and more functions into the Windows program. Since the vast majority of PCs are shipped with Windows pre-installed by the manufacturer, this narrows the opportunities for third parties to sell add-on software.

Similar arguments were laid out in a white paper submitted to the Justice Department on behalf of a group of anonymous competitors last November. They maintain that Microsoft has repeatedly used its power in one market segment to move into another.

Whereas earlier Justice Department and FTC investigations of Microsoft looked at existing markets, the white paper attempts to predict what the impact on competition will be if the Intuit acquisition goes ahead.

"You have got to look at the big picture...not at isolated segments of the market," says Mr Gary Reback, a California lawyer representing the group of unnamed companies. "You have to look five years out – like Microsoft does."

Competitors point out, for example, that the Intuit acquisition could give Microsoft a head start in the emerging field of electronic commerce, especially if elements of the finance program were incorporated in a future version of Windows. Microsoft's critics appear to be attempting to use the court proceedings relating to the proposed antitrust settlement to put a fire under the Justice Department's investigation of the antitrust implications of the Intuit acquisition.

Their strategy could pay off. Judge Stanley Sporkin, hearing the case, has made it clear that he has serious doubts about approving the settlement.

However, the Justice Department – in an unusual turn of events – has sided with Microsoft in attempting to quash further public debate of the issues.

"Ongoing and future enforcement efforts...could be prejudiced by public debate concerning evidence or legal theories...not relevant to these proceedings," the Justice Department said in its brief.

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“THE corporation is dead.”

What will replace it? Find out over the next four days.

Ministers split over EU single currency

By Kevin Brown, Political Correspondent

Mr John Major's hopes of crafting a unified Conservative policy on Europe suffered a severe blow yesterday as cabinet ministers continued to present starkly differing approaches on economic and monetary union.

As rightwing MPs applauded the Eurosceptic tone of Mr Major's speech to the Thatcherite Conservative Way Forward group on Friday, Mr Jonathan Aitken, a junior minister at the Treasury, ruled out a single currency. "I don't want to see a single currency, period, for as far as I can possibly foresee," he said.

Mr Aitken's comments, on independent television, went further than Mr Major's compromise proposal that the UK should refuse to join a single currency in 1996 or 1997, but might participate in 1999 subject to fresh conditions.

But Mr Michael Heseltine, trade and industry secretary, called for continuing UK involvement in technical talks on monetary union, and warned that companies might take part in a single currency even if the government refused to join. Without naming Mr Major, Mr Heseltine came close to accusing the prime minister of appeasing voters angered by recession and "indigestion" caused by the difficulties of establishing the EU's single market.

"You can react two ways to such a shift in public opinion: one is to say the public must be right . . . the other is to put over the positive arguments of British self-interest in the belief that you ought to lead public opinion back in the direction in which it is best served," he said.

However, Mr Major's speech prompted oblique criticism from Sir Leon Brittan, vice-president of the European Commission, and a former Tory cabinet minister.

Choosing his words carefully, Sir Leon suggested on BBC television that there was a conflict between the prime minister's need to maintain a parliamentary majority and the UK's long-term interests in Europe.

Farmers may round on protestors

By Deborah Hargreaves

British farmers are enjoying their highest level of income for 10 years, but are nevertheless far from confident about the immediate future.

As the National Farmers' Union of England and Wales gathers tomorrow for its annual general meeting, any return of confidence will be overshadowed by concerns about protests against exports of live animals.

Delegates will look for reassurance from their leaders that they will be able to head off the barrage of bad publicity before it spills into other areas of their business.

Many farmers want the NFU to take a stronger line with protesters. Some want to take the law into their own hands and threaten to turn up to escort lorries at ports where demonstrators are blocking the trade.

Sir David Naish, NFU president, believes farmers will lose all public support if they rush into battle with activists. British farmers are angry at the attacks by animal welfare protestors because they believe their standards are already among the highest in the world.

Veal crates have been banned in Britain for four years but are still used in France and the Netherlands.

The government and the NFU say the battle must now be fought in Brussels to try to force a ban on crates and introduce journey limits for live animals throughout the European Union.

But some of the more radical farmers say they cannot wait for Brussels to act because their businesses are suffering now. Dairy farmers are the first to be affected as the 500,000 male calves which are exported each year to continental veal crates are an inevitable by-product of milk production – and supplement producers' income.

Calf prices at cattle auctions have varied widely from week to week depending on how many export consignments are get through. Last week prices had recovered to an average of £102 ($159) per head compared with £110 a year ago. But the week before they were at £78.

Mr Martin Burtt, a farmer from northern England, says about 5,000 additional calves a week are being reared in Britain rather than exported. "This will have a fairly profound and dramatic effect on the price of beef when it comes to market in 18 months."

Lamb producers are also being hit by the blockades on live shipments. Mr David Williams, a Welsh farmer, highlights the importance of the trade in live lambs. British lambs which are slaughtered in France command a premium of at least £11 per animal over carcasses exported on the hook.

Nevertheless, although some farmers are seeing their earnings hit by protests, those earnings are coming from a strong base. Incomes were up 4.4 per cent in real terms last year.

Sir David wants farmers to focus on the challenges they could face from the Uruguay Round agreement which introduces freer trade in agricultural products. But his message is being lost in an uprising of outrage and bitterness among his members.

He said: "This has been a wonderful year for many farmers – they are getting closer to the marketplace and becoming more competitive – but the protests have overshadowed the whole structure of the industry."

Demonstrators squeeze sales of animals to France and Netherlands

Jill Phipps: family fights on

1994 Dec 10 Managers at Prestwick Airport in southern Scotland halt exports of live calves.
1995 Jan 2 Dozens of protestors halt trucks taking calves and sheep for loading at port of Shoreham in southern England. Rocks are hurled through windscreens.
Jan 4 1,000 police assemble at Shoreham to contain further disturbances.
Jan 8 Agriculture minister William Waldegrave admits that calves from his farm in south-west England are sold for rearing in mainland Europe in crates of the type banned in UK in 1990.
Jan 13 Truck taking calves to Swansea airport returns to farm after protestors crawl beneath wheels and one chains his neck to an axle.
Jan 18 Police at port of Brightlingsea in eastern England remove cars placed in road to block trucks loaded with calves. Police hold back demonstrators after cars are replaced with tables from a pub.
Jan 21 European Union brings forward review of methods of rearing veal.
Jan 28 Managers at Swansea airport in south Wales decide to halt export of calves to mainland Europe.
Jan 31 Waldegrave says in letter in Financial Times that EU rules bar UK from ordering unilateral ban on export of calves to other member states.
Feb 1 Jill Phipps, a 31-year-old mother whose family is heavily involved in protests against trade, is killed falling under truck of calves heading for tarmac at Coventry airport in English Midlands.
Feb 4 Phipps' father charged with trespass at Coventry airport.

Mrs Nancy Phipps, whose daughter Jill was killed while protesting against live animal exports last week, said yesterday she was also willing to die for the cause. "I will go on campaigning, and, if it takes my death, I will die with Jill," she said. "I should have been the one who died. She had her life before her. I will never forgive." Mrs Phipps's husband Ben, who is 70, was arrested on Saturday during a protest at Coventry airport their daughter died.

"I cannot believe this has happened in England," Mrs Phipps said on BBC Television yesterday. "We are supposed to be a civilised country."

Airports security squad faces cuts

The government is likely to cut about a third of the jobs at Transec, its specialist security division which regulates and inspects anti-terrorist measures at ports and airports, Clive Cookson writes. About 35 of the 100 staff are expected to lose their jobs as part of a Department of Transport drive for efficiency savings, according to a memorandum written last week by the head of security and leaked to Channel 4 Television.

Last week Mr Brian Mawhinney, the transport secretary, had to answer emergency questions in the House of Commons about allegedly lax anti-terrorist checks on Channel tunnel trains between England and France.

Mr Michael Meacher, the opposition Labour party's shadow transport secretary, said yesterday: "Mr Mawhinney told us in solemn terms last Monday how seriously he took security, but he did not tell us that he had just approved a 30 per cent cut in his own department's security division. The cynicism take one's breath away."

The government set up Transec in the wake of the destruction in 1988 on a Pan-Am airliner over the Scottish village of Lockerbie.

● Air traffic controllers warned yesterday of possible strike action if the government attempts to privatise National Air Traffic Services, a part of the Civil Aviation Authority.

UK NEWS DIGEST

Rules for companies tightened

All companies registered in the Isle of Man will be required to appoint a Manx-registered corporate agent under proposals by the island's financial regulator. Any company without an official corporate agent, who will be obliged to ensure it is not used for illegal purposes, will be removed from the island's company register. Agents failing to comply with the law will also be struck off.

The proposals appear in a consultation paper from the island's Financial Supervision Commission, produced at the request of the Manx government. The Isle of Man is a self-governing Crown dependency and suffers, like other offshore financial centres, from abuse of its companies by money launderers, drug traffickers and other criminals. Some practitioners are consistently diligent while others will set up companies for people about whom they know very little apart from their ability to pay fees. *Sue Stuart, Isle of Man*

Tax leadership wanes

The UK's leadership in setting the lowest corporation tax rates during the 1980s has been taken over by Nordic countries which previously had some of the highest rates in the industrialised world, a survey by accountants KPMG has found. Finland, Norway and Sweden have the lowest corporate tax rates among member countries of the Organisation for Economic Co-operation and Development. KPMG says little progress has been made by OECD countries towards reducing the gap between the countries with the highest and lowest tax rates.

The UK has the fifth-lowest corporate tax rate, unchanged from the last KPMG survey in July. But Mr Ian Barlow, head of tax at KPMG, said that in the past two or three years Finland, Norway and Sweden had cut corporation tax rates to below 30 per cent. *Ralph Atkins*

Drilling to increase

Oil companies are set to increase their offshore drilling by 25 per cent this year, says NatWest Wood Mackenzie, the Edinburgh consultants. A survey published today shows 110 exploration or appraisal wells are likely to be drilled this year in the UK continental shelf. The number is the highest since 1992.

Wood Mackenzie says development drilling is also likely to increase over the next year in response to the record number of new field and satellite approvals by the UK government last year. *Robert Corzine*

Royal jeweller robbed

Three thieves described by police as "professional and determined" escaped with jewellery worth £250,000 ($390,000) in a raid on Garrard's, supplier of jewellery to the British and other royal families. Part of Regent Street in the heart of London's West End was cordoned off as 70 police spent five hours in and around the Garrards building.

It emerged later that the thieves, one dressed as a policeman, had left after 15 minutes. Two security about to take a bag of jewellery to unspecified "continental clients" in London were tied up. Mr Richard Jarvis, Garrards managing director, said: "The value is not significantly high - somewhere in the region of £250,000. I think we did get off lightly." Garrards is part of the Asprey group of which Mr Naim Attallah is chief executive. *PA News*

Protection for workers

The Equal Opportunities Commission yesterday urged the government to provide part-time employees with more legal protection. From today the UK's 4.5m part-timers will be covered by legal rights if they have two years' continuous service with their employer. The rights cover redundancy payments, unfair dismissal and equal access to extended maternity entitlement. They bring the workers' rights into line with those for full-timers. It has been estimated that 750,000 people will benefit immediately.

The changes follow the government's acceptance in December of a House of Lords judgment which said the government was in defiance of European Union equality laws by discriminating against women part-time workers. The commission said the rights were "only a first step" in improving the position of Britain's women, who make up 87 per cent of part-time employees. "They are not enough to protect an increasing workforce of part-time workers," it added. *Robert Taylor*

Upturn continues

More than a quarter of British companies believe they will have to forgo some export orders in 1995 in order to meet rising domestic demand, though export confidence overall remains at very high levels. A survey of more than 1,000 companies by Gallup on behalf of DHL International (UK) confirms that the export-led recovery remains in full swing, with manufacturers increasingly confident about exports long-term.

Meanwhile, an article today by the HSBC banking group concludes that buoyant exports should help the economy record a current account surplus this year. This is in spite of a likely surge in imports as investment spending begins to recover. The decline of the manufacturing sector in the past 20 years means it can no longer meet demand for capital goods. *Economics Staff*

■ **Number of elderly people grows:** The number of people aged over 100 in Britain rose from 300 in 1951 to 4,390 in 1991, said Professor Nick Bosanquet, Professor of Health Studies at London University. He said Britain faced a big challenge from demographic change, and would soon need to pay for 100,000 more places in nursing and residential homes. In 15 years, 5.1 per cent of a national population of 62m would be aged more than 80 compared with 3.1 per cent of the present total of 58m.

صكنا من الاصل

MANAGEMENT

Tim Dickson was one of 50 participants who attended an executive course in Switzerland. Here he recounts the experience

What it's really like at business school

Room with a lake view – beautiful and reputedly lively at night. Or quieter, more modest sleeping quarters, overlooking the hotel's dreary garden.

With admonitions from Financial Times budget control ringing in my ears, the choice seemed simple enough when I arrived in Lausanne, Switzerland for the start of a five-week business course last autumn. Shaving SFr500 (£250) or so from my accommodation expenses was a worthy – if not necessarily heroic – gesture.

By the end of the first "module" of IMD's Programme for Executive Development – to which I had been invited as a full participant – I was seeing the decision in a new light. A peaceful working atmosphere was all very well, I thought, but was it perhaps revealing of my personality that I had opted to spend so many evenings and early mornings gazing at a prim Swiss floral display.

Psychological tests requiring respondents to reveal their preferences in life – lakes and gardens no doubt feature in many of them – are standard "learning tools" at most top business schools these days. At IMD they are particularly keen on the "type indicator" questionnaire devised by Katharine C Briggs and Isabel Briggs Myers in the mid 1970s – with questions like: "When strangers notice you, does it make you uncomfortable or not bother you at all?" and "Are you more likely to speak up in praise or blame" – and the team member characteristics developed at the end of the decade by Meredith Belbin.

The results of these tests are typically used to increase self-knowledge, to help develop an understanding of how to work better in teams, and (in my case at least) to induce mild attacks of paranoia.

Not everyone is convinced by this particular black art – I have to say I'm a bit of a convert – but what struck me most at IMD was how the accompanying psychobabble rapidly and constructively became a common language for the more than 50 middle and senior managers from Europe, North America, South Africa, Australia and East Asia who had come together for the Ped course.

Phrases like "shaper", "plant" and "company worker" were positively tripping off our tongues after the first few days, and long before we said our last goodbyes we had become experts on the character types represented by the initials INFJ and ESFP.

That lingua franca was important because at its best IMD's executive programme was more than a skill-sharpening session where things are taught and participants listen. At a different – and arguably more ambitious – level it became an exercise in human interaction in which relationships between people developed and new ideas blossomed.

Critics often deride the business school campus as an artificial environment remote from the real world. But while there is some truth in this, those who make the jibe draw the wrong conclusions. It is precisely because those attending courses like the Ped are divorced from their offices – sanitised from daily pressure, internal politics and fear of failure – that they are able to step back and look at themselves objectively, confront criticism and experiment in ways which might be impossible in their own rigid corporate cultures. It is also because they are liberated from their management hierarchies – everyone at business school is equal – that they cannot only dress down, but let their hair down.

The class of 94: accountants, engineers, IT specialists, personnel people and even a journalist (back row, fifth from left) from 25 countries attended the five-week course

True, it sometimes seems strange being back in a classroom but the point about executive courses is that there are no MBA-style assessments or any sense of working for a formal qualification.

The metaphorical loosening of the executive tie, though, does not happen overnight. Most of my fellow participants at IMD were jovial types – the classroom banter, particularly from Myers/Briggs "extroverts" was light-hearted and good-natured from the start – but I still felt it took a week or two for everyone to relax.

If in no other way, this could be judged by the crush – or lack of it in the early days – in the hotel bar (complete with lakeside view). One reason for that was the volume of homework – two hours of case study assignments and additional reading even for the brightest and best – which came on top of an already exhausting day.

Breakfast was usually taken between 7am and 8am – in some cases after the early morning jog organised by one participant from Nestlé. The first session began at 8.30am "Swiss time" (i.e. sharp), while afternoon and evening sessions extended on occasions until 7pm. Indulging the natural tendency to recover with a lengthy dinner – thereby failing to plough through the necessary set texts – put "offending" participants at an obvious disadvantage in the discussions next day.

"I felt last night that the course had been going a week," I wrote in my diary the first Wednesday, "and then realised with horror that we had only been there for 48 hours."

"Yesterday began with the startling news", I went on despairingly, "that one of my breakfast neighbours had been in a study room on campus till after midnight discussing cranberries (the subject of that evening's case). How can people do this and still observe Swiss time?"

Coping with an overflowing workload was one thing, getting used to the lack of family support was another part of the early adjustment process. Clearly this was not a problem for everyone – those used to long business trips to the other end of the world seemingly took the long absence in their stride – and it would be dishonest not to admit that freedom from family pressures facilitates reflection.

I know, though, that I was not alone in desperately missing my wife and children at the beginning, something which not even my fellow sufferer from BT could instantly put right with advice on his company's attractive international chargecard discounts.

Critics often deride the business school campus as an artificial environment. While there is some truth in this, those who make the jibe draw the wrong conclusions

The handful of British-based participants faced a particularly cruel dilemma just an hour's expensive flying time from London. Our Swiss colleagues were able to slip home after classes on Saturday morning and still make a weekend of it; the South Africans and Pacific rimmers were far enough from home not to be tempted (although one of the Americans flew to Bogota for his brother's stag night and managed to miss just one day of the course in the process). I came back twice – it was delightful first time, unsettling for everyone the next.

By general agreement IMD's professors ranged from the outstanding to the more variable – hardly surprising given the nature of Ped. It is one thing for business schools to teach information technology to a group from a single company; it is much harder to present the "helicopter" view of business (finance, marketing, operations management, product development and human resources) to accountants, engineers, IT specialists, personnel people and even a journalist from 25 countries. At times it proved impossible to pitch the discussion in a way that engaged experts and non-experts alike.

The first five-week "module" of Ped is structured mainly around these functional issues – but IMD's most significant contribution was to provide the environment in which people were able, and indeed wanted, to learn. "The more you put in, the more you got out," one of my fellow participants observed.

Case studies were widely employed but the best insights probably came through the interaction of relevant ideas from our reading and the comments of experienced hands-on managers. Typically we spent an hour or so at the start of each session in the lecture theatre – seated according to a different plan each week in an effort to encourage participation – before retiring to one of 10 separate "study groups" of five or six people for further dissection of the issues and preparation for a possible presentation to the whole class.

The study groups served a number of useful functions: for certified Myers/Briggs "introverts" like myself they offered a less intimidating forum in which to contribute to debate; they represented the main "laboratory" in which team building could proceed; and they were structured in such a way that at the end of each week individual feedback was provided by other group members (backed up with evidence from the video camera).

Though steady progression was not everyone's experience I found that the group atmosphere generally improved each time – coincidence perhaps but a function I'm pretty sure of learning how to organise ourselves and, as IMD put it, "manage the process".

Tensions were often not far below the surface: "I'm getting a bit fed up with a couple of guys in my group," the diary reads for the first Friday, "The duty-free gin bottle remains unopened – but it's looking rather tempting." For some others this mild frustration turned to smouldering hostility, and the resulting feedback sessions were by all accounts colourful occasions.

Among the "special" features of Ped, the health management programme is worth mentioning. Some of my more knowledgeable colleagues insist that the tips were no more (nor less) sophisticated than can found in the average women's magazine – but the health profiles prepared individually for participants (contrasting our actual age with a test-derived "health" age) made a big impression, notably on smokers.

Our visit to the nearby Art Centre (Europe) was undoubtedly a highlight: the importance of linking design to the marketplace was particularly well made. And the "orchestra" case – led by the Orchestre de Bernard Thomas from Paris and followed by a private concert – was a delight.

During the last week of the course I noticed more and more people anxiously re-establishing contact with their offices – no coincidence, I'm sure, but possibly connected to a general feeling of anti-climax.

Devoting three days to the "integrative end of module exercise" – a business game in which teams competed to sell washing machines to the European market – was probably too much. It may not have helped that our team, which I was rashly elected to chair, collected the booby prize.

The good news is, however, that Ped comes in two "modules" and I intend to return for the second half. The inducement is an even wider-ranging "syllabus", with particular emphasis on the external social, economic and political environment in which businesses now operate. For me there will be the added fascination of finding out whether, six months on, my colleagues and their employers think the substantial investment has been worth it.

This time, however, I think I'll take the room with the lake view.

Of business ethics and litigation

ADRIAN FURNHAM

The top executive pay issue has provided excellent material for the business ethicists. But is the concern with business ethics an ephemeral trend; a justifiable pursuit; or an oxymoronic impossibility?

Some organisations run in-house courses on the new, politically correct topic of business ethics; others establish tell-tale telephone numbers so that employees can report on unethical activities (so-called whistleblowing). A sort of moralistic McCarthyism seems to be spreading around corporate bodies.

But what is business ethics? It is essentially ethics applied to business issues; it isn't a particular brand of ethics. All medical and behavioural scientists are regularly required to subject their research proposals to the scrutiny of the ethics committee.

And the same might soon be the lot of the entrepreneur, even the management consultant. Imagine taking every takeover bid, every M&M proposal, indeed each hiring and firing decision to the in-house ethics committee for approval. In a sense we do; many decisions have to be passed by various regulatory bodies which have a quasi-ethical remit. Indeed, some business issues are so over-controlled, regulated and monitored there hardly seems any point debating the topics further.

But why do we have ethics committees charged with making these decisions? What training skills or knowledge does one need to be on these committees?

If indeed there are a set of agreed ethical principles to follow, why do we need a committee to puzzle them out? A job-creation scheme for the moral majority perhaps?

It may be much more expedient to ask a trained ethicist or philosopher to fathom out how to apply abstract ethical principles to everyday business situations, instead of a jury-type collection of the great and the good.

The real reason committees are used, of course, is to diffuse responsibility. No one person – or perhaps one moral code – can personally be held responsible.

A second reason for an ethics committee concerns that bane of American social and corporate life – litigation. Many ethics committees are about attempts to prevent, circumvent or mitigate legal suits. If this is true, the ethics committee should be replaced by (and renamed) the litigation inquiry.

Rather than simply getting "feel-good" points, a company should decide on a set of ethical principles (many exist), appoint an expert ethicist to decipher and apply them; and have him/her assisted by a sharp litigation lawyer.

Why is it that all the jokes about management style are derogatory. Seagull management involves "flying" in to an organisational outpost, dumping all over the employees and flying out again. Mushroom management, too, has scatological and corporate images for it involves keeping employees in the dark and periodically covering them with manure.

Other styles refer to the non-existent management style. Sometimes called absentee landlord or golf-club style, it refers to the boss who has no time to manage because he is too often out doing other things (or hiding). This style, however, often leads the staff to do likewise and so one finds the entire outfit becomes the Marie Celeste organisation.

When unwelcome publicity surrounds a big organisation the corporate lawyers frequently suggest either that the managing director reply "no comment" to all inquiries and questions or read out a carefully prepared bland statement. Terrified of people in the organisation incriminating themselves and exacerbating the problem, the lawyers believe the "never confess; never explain" route the safest.

But the trouble with this technique is that the investigative media goes to other sources of information over whom one has no control. This may be one's commercial rivals or, in extremis, the clippings file. More likely, however, it is people inside the organisation who, not briefed to remain mum, are excited by the media attention.

Receptionists selected for their chirpy social skills and garrulousness often "spill-the-beans" thinking they are being helpful. But the most vociferous of all informers are those who have been made redundant in the past few months. They are eager to seek revenge for their dismissal by rubbishing the organisation and its leaders. Even the staff leaving the office or factory if approached by a charming reporter, may happily "give an interview", so scuppering the corporate lawyers' plans.

The moral for crisis media management must be: be prepared to handle the media focus; choose articulate, well-briefed and empowered spokespeople and keep them; communicate directly to your most important audience. And resist the combative instinct.

PIONEERS AND PROPHETS

Konosuke Matsushita

Konosuke Matsushita, founder of the world's biggest consumer electronics company which bears his name, is widely regarded as more than a prophet; as the very god of *Japanese management*.

Matsushita, who died six years ago at the age of 94, maintained that his personal management prophet was Henry Ford. From Ford's biography he learned the strategy of using mass production to achieve economies of scale, to reduce prices and so broaden demand.

In Matsushita's hands, Ford's mass production ideas evolved and broadened into the strategies that have today become clichés of Japanese management.

The Anglo-Saxon corporate aim of serving shareholders, for example, is subsumed into a wider mission; to "produce an inexhaustible supply of goods, thus creating peace and prosperity throughout the land", Matsushita wrote in his management primer, *Not for Bread Alone*.

A company, therefore, is as much a staple of society as a religion, believes Matsushita. Late in life he set up two schools, in philosophy and politics and economics, to spread that message, leavened with a dose of Shinto mysticism.

Apart from employees, the two most important members of Matsushita's corporate family are suppliers and customers. The customer is king, but a king that needs to be advised and supported by his subject, the manufacturer, he writes.

One example is Matsushita's reaction to customers' initial refusal to accept the company's first bicycle lamp because they disbelieved claims that it would burn for 10 times longer than the competition. To prove the point, Matsushita's staff handed out 10,000 free lamps to shops, switched them on and returned two days later to show that the lamps were still burning.

Matsushita relates how he astonished some of his suppliers in the 1930s when he visited their factories and pointed out where they could achieve cost savings, to meet Matsushita's demands for lower prices. No client had thought of addressing suppliers in that way.

Similarly, Matsushita was an early pioneer of just-in-time stock control. It adopted the technique after an earthquake in eastern Japan in 1964, when Matsushita was astonished to find the losses at wrecked warehouses far larger than he expected, because of excess stock. So much for the Cassandras who argue that the recent Kobe quake will jolt Japanese ideas on stock control.

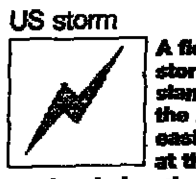
The need for senior managers to show deep humility is perhaps the most Japanese part of Matsushita's philosophy. Only by identifying and admitting their own part in company mistakes can managers acquire the moral authority to admonish juniors. Matsushita himself once shamed striking lavatory cleaners back to work, in 1923, by cleaning the company lavatories himself.

Of wider use is Matsushita's axiom that a manager must be an exemplar of diligence and devotion to the company. As one of his epigrams puts it: "The tail trails the head. If the head moves fast, the tail will keep up the same pace. If the head is sluggish, the tail will droop."

William Dawkins

BUSINESS TRAVEL

US storm



A fierce storm slammed the north-eastern US at the weekend, dumping up to 40cm of snow and severely disrupting travel. Airports closed and roads were glazed with ice. "This is clearly the biggest storm of the season in a lot of places," said meteorologist Jim Candor. The storm brought high winds and freezing temperatures. Thousands of air passengers were stranded at home or at airports.

Travel snarls were lessened because the storm hit on a weekend, but flights were delayed or cancelled up and down the east coast. New York's La Guardia and John F Kennedy airports were closed, but reopened after some hours, providing limited services. New Jersey's Newark airport managed only limited services. Air traffic was snarled at Philadelphia; Boston's Logan Airport closed at one stage; and Baltimore-Washington operated only one of its four runways.

Road toll

Deaths on French roads fell to a 38-year low last year of 8,533, according to the French government. The number of deaths, falling for a sixth consecutive year, was 5.7 per cent fewer than in 1993. Last year France toughened its drink-drive laws and beefed up campaigns urging motorists to wear safety belts. Over six years, the number of deaths has fallen by 19 per cent, although France's safety record is still far less impressive than other European countries'. In 1993, the number of people killed in French road accidents was 365 per 1m cars, against 224 in Germany, 198 in Italy, 190 in the Netherlands and 135 in Britain.

TB threat

One million people die every year of tuberculosis in south asia, a monitoring centre in Kathmandu said last week, *Reuter reports from New Delhi*. The centre said that of 8m new victims reported worldwide annually, 2m were from the region. It released the figures at its fourth annual meeting of regional experts. Lack of accurate statistics was the biggest challenge in stopping the disease's spread. It added that a combination of TB and Aids made for a worsening local health picture.

Mountain crash

A Taiwanese airliner was flying too low when it hit a mountain last week, killing the four people aboard, say aviation officials. They say the Foshing Airlines twin turboprop ATR-72 was flying at about 1,000ft through a rainy night when it crashed less than 15 minutes before it was due to land in Taipei. An ATR-72 operated by the US airline American Eagle crashed in Indiana last October, killing all 68 people aboard. The US Federal Aviation Administration then grounded ATR-42s and ATR-72s in icy conditions, but this was eased to apply only to flights in freezing rain or drizzle. The temperature was above freezing at the time of the crash in Taiwan.

Finer fare

The days of boring meals on Vietnam's national airline will soon be over, the company says. It has signed a deal with a French catering firm to treat its customers to better food – its latest move to modernise itself. The airline and Servair, an Air France subsidiary, plan to invest equally in a $300m venture. Vietnam Airlines' passenger traffic has surged to 1.7m since the country started to open itself to foreign investors and tourists in the late 1980s. It flies 19 international routes.

Likely weather in the leading business centres

	Mon	Tue	Wed	Thur	Fri
Tokyo	7	10	11	9	10
Hong Kong	17	18	19	19	20
London	13	12	8	8	6
Frankfurt	9	10	5	4	4
New York	-7	-6	-5	1	3
L. Angeles	24	16	17	21	22
Milan	8	8	10	9	10
Paris	11	12	10	8	8
Zurich	9	8	7	6	5

Maximum temperatures in Celsius

Information supplied by Meteo Consult of the Netherlands

Quite a long way to go yet

Does the Channel tunnel link now mean European railways can rival air travel, asks **Charles Jennings**

Eurostar – the high-speed train link from London to Paris and Brussels, via the Channel tunnel – may be a hit. Early indications suggest the trains are attracting promising business, with London-Paris traffic well above expectations. There is also evidence that businessmen are warming to the service (three hours from city centre to city centre) and that their enthusiasm will grow once the new, more frequent services are fully into their stride.

What makes this so interesting is the possibility that a train service may be able to compete successfully against the airlines, on their own terms. But does the revolution extend any further across Europe's rail network?

Does it make sense, for example, for businessmen to take the train from London to Frankfurt, or from Frankfurt to Paris? Having spent several days finding out, I can report that western Europe's rail system has the potential for something extraordinary. But only masochistic business folk would try to use it extensively now.

The first let-down on my trip came at Brussels Midi, the Belgian terminus for Eurostar. Until then, everything had rivalled air travel standards: smart new terminals at either end: attentive service in first class, with copious free drinks; and a journey that was smooth, swift and punctual.

But once I left the Eurostar terminal and made my way to the main concourse in Brussels, I time travelled backwards – about 40 years, I should think. Most of Brussels Midi is gloomily underground. Facilities are few. And I had to wait an hour to connect to Cologne. It was so cold that I was worried about frostbite.

Nothing illustrates more starkly the differences in approach and aspiration between air travel and the rail business than the way passengers are treated at rail stations. Even the meanest European airport terminal will be warm, dry, full of seats and, at the bigger locations, staffed with polyglot assistants.

But at a rail station, none of this can be taken for granted. Built to allow the smoke of steam trains to escape, stations are inevitably cold and draughty. Worse, they have almost no seating, almost no staff and offer only basic services – bad coffee, burgers and poorly stocked newsagents. If you are waiting for a connection it's dreadful.

Still, the Cologne train – a Belgian express – arrived bang on time and made good speed down through Liegeand Aachen before depositing me at Cologne Hauptbahnhof, where I had 10 minutes to find the Deutsche Bahn connection to Frankfurt.

I made my way through another underground concourse – livelier and less bleak than in Brussels, but with the departures board bafflingly well hidden – and looked for what I hoped would be one of the new inter-city expresses (ICEs) which can reach 300km per hour and of which Germany is suitably proud.

By this stage, I had been travelling for seven hours. The amount of work I could have got through in that time would have been stupendous, provided I didn't need a telephone, fax or telex, and provided I didn't need a table. Continental first class train accommodation either follows the airline style, with open carriages and fold-down tables on seat backs; or it uses old-fashioned closed compartments with two rows of seats, facing each other. The older the train, the more likely you are to find a mixture of the two. And there are no tables in the closed compartments.

There was none of the plotting you usually need to get to the airport and on to your flight

Unfortunately, mine turned out to be a common or garden express. Every now and then I would catch a glimpse of an ICE on a distant platform, splendid in its white and red livery. But the ICEs do not yet run between Cologne and Frankfurt, so I had to put up with a medium paced journey.

I was hungry, too. I could not be bothered to change my money to Belgian francs on the first leg of the journey, and by the time I was in Germany, the buffet on the Cologne-Frankfurt train seemed to have gone missing. As a result, I fell out at Frankfurt Hauptbahnhof at 9.30pm (20 minutes late), exhausted and starved.

I then discovered the accommodation bureau had closed half an hour earlier. But I knew the Parkhotel – the businessman's favourite – was only a short walk from the station, and I threw myself into its efficient embrace. Since leaving home in London, I had been on the move for 10 hours. Including airport check-in time and taxi transfers, I could have flown to Frankfurt in a third of that time.

Next day, I did things differently. I took a direct express (an SNCF train grandly named the *Gustave Eiffel*) from Frankfurt to Paris-Est, with no changes and no waiting in draughty stations.

My spirits rose. For a start, I could spend the morning lying in bed or walking along the banks of the River Main, safe in the knowledge that I could be out of my hotel and on the train in no more than 10 minutes. There was none of the plotting and calculation you normally need to get out to the airport and on to your flight. It was also good, once aboard, to to watch the scenery of the Saarland drift past and feel like a traveller, not a package.

The downside was that even a relatively pleasant train journey like this makes no sense unless you love trains or have the whole day to spare. The journey time to Paris was over six hours (against just over one hour in the air), with no chance to stretch my legs.

There were more first-class compartments without tables; and the restaurant car food would have been unthinkable on a half-decent airline or British Rail. I ate tepid veal and rice with a small, sourish bottle of Côte de Brouilly. I could not even look out of the window because of a metal bar at eye height.

Stiff and disgruntled, I arrived at Paris-Est shortly after 5pm, and trudged across to the Gare du Nord and the Hotel Terminus Nord, in order to be within striking distance of the Eurostar return. This required me to check in at 7.30am the next morning, about the same time as Terminus Nord starts serving breakfast. I left Paris grimly hungry.

Frankly, the quality of service and ambience of rail travel have been far outstripped by the airlines. Where, on Europe's trains, are the free drinks, free meal, 10 music channels in the arm-rest? International rail travel is still a protracted, spartan and uncomfortable business whose principal merit is its cost.

If the high-speed French TGV can get you, in reasonable comfort, from Paris to Lyon in two hours, why should it take six from Paris to Frankfurt? If the German ICE can speed from Hamburg to Cologne in just over three hours, why can the Brussels-Frankfurt trip not take the same time?

With effective cross-border collaboration and a little commercial zest, certain routes, such as Paris-Frankfurt or Berlin-Zurich, could be designated rail highways, with faster trains, fewer stops and a level of service closer to the best of Eurostar, the TGV or the ICE.

Add some proper station facilities and the drawbacks would start to disappear, though it is a sobering thought that the international terminal at London's Waterloo station cost £130m.

Eurostar is already promoting the railway crossroads at Lille as a gateway to an improving European network. When things are fully up and running, travellers will be able to connect at Lille with fast trains to Bordeaux, Marseille, Turin, Geneva in one direction, and to Amsterdam, Antwerp and Frankfurt in another.

Eurostar recognises, above all, that the critical journey time is three hours. Once a long distance rail journey in western Europe gets reasonably close to that, it is able to compete with the airlines.

The technology already exists to reduce journey times considerably, and to improve travellers' surroundings 100-fold. Eurostar has made a promising start.

Tony Andrews

Eurostar: businessmen are warming to the London-Paris service, which takes only three hours

MEDIA FUTURES

Ruskin all wired up

Martin Mulligan looks at plans for a pioneering library

John Ruskin, Victorian sage, social reformer and art critic, may not be the first name you'd expect to meet in the context of Net surfing, digital databases and the World Wide Web. But if Professor Michael Wheeler has his way, Ruskin will soon be fully wired up.

When Ruskin was born in 1819, the dehumanising effects of Victorian industrialisation, which turned once-skilled workers into mere extensions of their machines, were becoming apparent. Some see parallels between then and now, as the second industrial (or electronic) revolution takes its toll, visiting evils of consumer manipulation, unemployment and environmental damage on late 20th century life.

Ruskin, champion of the Victorian working class, would approve of none of this, nor even perhaps of the marketing of Britain's national lottery. But he would surely approve of one vision which money from the lottery may help realise: a purpose-built library, resembling a medieval cathedral, to house his collected papers and forming a metaphor for his lifework.

The prospective library would fuse aesthetics and technology uniquely, housing a wealth of electronic media and datapoints throughout. Byzantine in colour, Gothic in mood, it would provide a state-of-the-art research facility for Ruskin students worldwide; a handsome art gallery for admirers of his work and principles; and fresh impetus for the cultural life centred on England's Lake District, which Ruskin loved.

Wheeler's office on the University of Lancaster campus is more like a comfortable living room. The appearance is deceptive. Like James Joyce, whose texts he formerly taught, he is a stickler for formality, proper modes of address – and collared ties.

He is small, agile, animated – and passionate about Ruskin's lifework, even perhaps of Ruskin's prophetic mission. "Ruskin was a prophet to his own age and to ours," says Wheeler. "What better timing than now [to build such a library] when materialism has become the national religion. Ruskin's whole critique of Victorian industrialisation anticipates our own revolt from inhumane urbanisation."

The library, however, is only part of the vision. The multi-disciplinary Ruskin programme at Lancaster University already carries out original research into Ruskin's work and aims to develop it technologically. The British Academy has funded a feasibility study for a pioneering electronic edition of *Modern Painters*, perhaps Ruskin's most famous opus, using the rapidly evolving electronic techniques of hypertext and hypermedia.

An Anglo-American team of scholars is being assembled for this purpose. There are plans, too, to produce a CD-Rom version of the 39-volume (1903-1912) Library Edition of Ruskin's works. Specialised software is being written for a pathfinding electronic bibliography and a chronology of Ruskin's life and work.

"Ruskin is now coming into his own. There is an ongoing tradition of Ruskin scholarship and at Lancaster we are contributing to this tradition in a new way. We want people to encounter the multiplicity of Ruskin," says Wheeler.

That there has been an international Ruskin revival is borne out by the global Ruskin bibliography, which has become crowded during the last 15 years. Wheeler sees Lancaster – a campus close to the Lake District and to Brantwood, Ruskin's home on Coniston Water – as the ideal site for the Ruskin Library, not least because stylistically it is a building and a project for the 21st century, and Lancaster University is a pre-eminently modern campus.

"Ruskin was a man of his time, not of our time," he says. "Any building should make its own statement about its time – here, by means of its environmentally friendly systems, its massive walls, the building-within-a-building like a medieval cathedral."

The Ruskin Library, designed by Richard MacCormac and commanding a prominent position overlooking the sea on the campus's western edge, would operate a system of so-called passive environmental control. Its massive walls would keep temperature and humidity changes to a minimum, with no need for wasteful air-conditioning.

The collection of 1,700 drawings, diaries, 300 literary manuscripts and 8,000 letters would be translated into electronic analogues. Written permission would have to be obtained in order to handle the fragile originals housed in the library's inner sanctum. However, there would be simultaneous multiple access to the catalogue and to all the materials in their electronic forms – the fruit of a painstaking program of cataloguing and digital transfer which will take more than five years.

Is this only an upmarket attempt to make of Ruskin an exportable cultural icon and to tap into the Lake District's Romantic associations? (Lancaster University has a Wordsworth room in its present library.) Is there even a danger of trivialising Ruskin? Is the project dogging the footsteps of that most successful American cultural export, Mickey Mouse? Picture it: signs emblazoned with "You are now entering Ruskinland" upon the Lakeland poets' untrodden ways. Will Ruskin do for the Lake District what Mickey Mouse has done for Florida?

Wheeler sees no such danger. "It would be wonderful for the region. Brantwood has 40,000 visitors a year and, as his historic home, its function is to present visitors with every aspect of Ruskin's work. It is not vulgar, it is not a theme park. Vulgarisation is the last thing that will happen."

Lancaster's costings show that it can run the library (once built) for £110,000 a year. The projected capital cost is £2.3m. The university last month submitted its lottery request to the National Heritage Memorial Fund for £1.5m, and will have an answer by May.

Perhaps Britain's millennial celebrations will include the opening of the Ruskin Library – a fitting way to mark the centenary anniversary of the sage's death.

One more visit to Highway 61

Alice Rawsthorn interacts with Bob Dylan on his new CD-Rom

There was a time in the 1960s when the mainstay of any self-respecting record collection was a (not too) crackly vinyl copy of Bob Dylan's *Highway 61 Revisited*.

Times change. The Dylan classic has since resurfaced on the rather less crackly formats of cassette and compact disc, and has now reappeared in yet another guise as *Highway 61 Interactive*, a CD-Rom version of Dylan's music which went on sale in the US last week.

Highway 61 Interactive is not only Dylan's first foray into CD-Rom, but also the first CD-Rom product to be released by Sony Music Entertainment, one of the world's largest record companies. Sony sees the product as its *entrée* into the buoyant new market of interactive entertainment.

The music industry is a relative newcomer to the interactive sphere. Warner Music led the field last summer by releasing *Interactive*, a CD-Rom devoted to the work of the artist once called Prince who has since (to Warner's fury) changed his name to an unpronounceable symbol. Some 60,000 copies of *Interactive* had been sold in the US by the end of last year.

Other record companies are following suit by developing their own interactive products. The chief catalyst is the rapid expansion of the CD-Rom market which has become one of the fastest-growing product sectors of the mid-1990s.

A recent study by BIS Strategic Decisions, a research consultancy, estimated that some 9.6m CD-Rom drives, worth $2.4bn (£1.5bn), were sold last year worldwide. It expects sales of 12.8m drives in 1995 with the market showing compound annual growth of more than 20 per cent until 2000, when it should have increased to about 31m drives valued at $6.2bn.

Both Bob Dylan (right) and Prince have gone interactive

So far the businesses that have been most successful in developing CD-Rom products are book publishing and computer games. But the movie studios and music groups that dominate the traditional entertainment industry are starting to explore the potential for interactive versions of their products.

One option for the music groups is to develop conventional CD-Roms – interactive discs played on personal computers fitted with a CD-Rom drive or on TV sets with CD-Rom conversion devices.

Highway 61 Interactive – retail price $59.95 – uses the CD-Rom format to offer an overview of Bob Dylan's career in words, video, graphics and music.

It includes seven "virtual environments" that use computer graphics to reconstruct seminal scenes from Dylan's life, such as the Columbia Records studio where he recorded *Like A Rolling Stone* in 1965 and the Greenwich Village coffee house where he was discovered. There are snatches of Dylan's music, including a rare electronic version of *Blowin' In The Wind*, with comments from his contemporaries, including beat poet Allen Ginsberg and guitarist Eric Clapton. Users can also access a discography, lyrics and Dylan's own song notes.

If *Highway 61 Interactive* sells well, Sony Music will consider the launch of other CD-Rom products. In the meantime, it is finalising plans for another product: CD Plus.

CD Plus, developed jointly by Sony and Philips, the Dutch electronics group, is an enhanced version of the audio CD. It plays music on conventional audio CD systems but also offers video, graphics, text and music when played on CD-Rom drives.

Sony intends to launch two CD Plus products in the US this spring: Dylan's *Greatest Hits Volume 3* and Alice in Chains' *Jar Of Flies*. Both will retail for $26.98. The company has plans for up to 15 other titles by the summer, most of which will be special versions of newly released albums.

The advantage of CD Plus is that it offers something extra to the standard audio CD package. It is attractive to artists, and also a reassuring concept for consumers, who can play CD Plus albums on their old systems while deciding whether or not to invest in a CD-Rom drive.

Sony is not the only record company dabbling in CD Plus. PolyGram, controlled by Philips (Sony's partner in developing the technology), is considering launches of its own, while EMI Music intends to release about a dozen titles on CD Plus in the US this spring.

Europe hampered by poor vision

By Alan Cane

Europe's progress along the slip lane to the information superhighway looks like being delayed by a chicane of old working habits which may hinder change.

A survey of more than 1,000 people working for large companies in nine European countries suggests that a surprisingly large percentage are decidedly indifferent to many of the "benefits" the multimedia revolution is expected to bring.

US businesspeople, on the other hand, are actively seeking ways to use the new technology to improve their business methods. The survey's authors comment: "Their European colleagues lack vision. Indeed, the evidence in Europe indicates there is a clear split between what management understand and what they intend to do."

The survey, commissioned by British Telecommunications and carried out by the Harris Research Centre, found little difference between Europe and the US in the benefits expected from multimedia.

It revealed, however, that just over half the Europeans canvassed were satisfied that the introduction of new telecoms technology was keeping pace with the rest of the world – against nine out of 10 north Americans.

For some Europeans, it does not matter much. More than a third of Swiss and Italian and almost a quarter of German business executives thought it of little importance to be contactable when away from the office.

Another point of difference: home working. Almost 90 per cent of Americans spend some part of their week working at home while one third of Europeans never work at home at all. This seems unlikely to change. Two-thirds of Europeans saw no change in home working practices in the next two to three years. Most Americans, conversely, expected an increase in working from home.

The survey's methodology is open to question in that only one interview was conducted per organisation. An organisation devoted to exploiting multimedia opportunities had only the same representation, therefore, as one with no ambitions in information technology.

But the overall conclusion – that Europe may not reap the benefits of the multimedia revolution swiftly unless it acts now – can hardly be resisted.

Westminster weaves a web on TV

By Stephen McGookin

Could it be that Britain's politicians are waking to the power of the Internet, the information highway that links more than 30m computer users worldwide?

From today, television viewers will be able to watch their members of parliament being questioned directly via the Net, as the BBC starts a new daily morning show. Westminster On Line (*westonline@bbc.co.uk*), a 45-minute live programme, will be broadcast at 8.15am following breakfast news on Mondays to Thursdays while parliament is in session.

Richard Clemmow, editor of the BBC's live political programmes, says: "Not only will [it] allow politicians and others making decisions about our lives to explain their thinking and actions, but more importantly the daily format and easy access provided by the technology means the general public will be able to engage in the nation's political life in a significant way."

Un-Netted viewers will also be able to quiz the guests – including, for the first programme, health secretary Virginia Bottomley – by telephone, fax or videophone (the programme hopes to have videophone points across the country). The presenters will filter and ask the questions received over the Net during the show, but the BBC hopes that all e-mail contacts will be answered personally.

While opposition party leaders Tony Blair (*tony.blair@geo2.poptel.org.uk*) and Paddy Ashdown (*paddyashdown@cix.compulink.co.uk*) are wired, Prime Minister John Major is, as yet, not. Anne Campbell (*anne.campbell.mp@pipex.solo.com*), Labour MP for Cambridge, whose electorate is perhaps the most highly Net-literate in the country, has held Britain's first online constituency surgery, and Tory David Shaw (*david@dcshaw.demon.co.uk*) recently appeared on late night television extolling the virtues of e-mail.

If some MPs are proving slow to appreciate the Net's potential, venerable British government institutions have taken an electronic leap of one sort or another. As well as the Government Centre for Information Systems (*http://www.open.gov.uk/*), individuals at many departments are contactable via e-mail, while the Treasury's World Wide Web home page (*http://www.hm-treasury.gov.uk/*) is proving popular, presumably among the same people who regularly call up the World Bank (*http://www.worldbank.org*).

A joint venture between electronic publisher Chadwyck-Healey and HMSO has produced a CD-Rom version of Hansard going back to 1988, and an online version of parliamentary accounts may be close.

In the US, citizens can obtain details of their goverment's daily activities through an online version of Congressional Quarterly and from Congress's new site on the World Wide Web, launched with great fanfare last month by House Speaker Newt Gingrich. It has been christened Thomas after Thomas Jefferson (*http://thomas.loc.gov/*).

Traders jostle on to Net

Commerce is coming to the superhighway, says Christian Darkin

It has taken a long time for commercial enterprise to take root on the Internet. But things are starting to happen.

At the Internet World conference in Washington last December, IBM and a US company called PC Flowers announced a service for sending flowers via the Internet. The idea is simple: order a bunch from your desktop, type out a message – and the flowers are dispatched.

PC Flowers joins a growing number of online businesses selling everything from fantasy books to chili sauce over the Internet. With the Internet population growing at an estimated 15 per cent a month, there is not a comparable marketplace anywhere.

The growing popularity of the World Wide Web, a system that aids exploration of the Internet, over the past year has given traders a way to "display" their goods, but the problem of making cash transactions through the anarchy of the Internet is still stunting commerce. Nobody argues about the advantages of negotiating deals, signing contracts, placing orders and transferring funds electronically. But how close is all that?

You could send your credit card details via E-mail. It is only data, after all. But it would be about as confidential as sending it on a postcard. In an electronic transaction, the risk is that anyone could tap into your data, and alter it or steal it. At present, customers must open an account with the online trader if they wish to buy safely, but this could be about to change.

CommerceNet is a worldwide consortium dedicated to setting up large-scale trials and building the security systems needed for Internet commerce. Chief among these is the SHTTP, a protocol for creating secure links over the World Wide Web.

"The necessary technology should be widely available commercially by this spring," says Jay Tenenbaum, head of CommerceNet's board of directors. Member banks, he says, are eager to get a head start.

In Britain, however, there is more caution. "Before a fulsome commitment can be made by the banks there has to be more work done on the ability to authenticate transactions," says Joseph DeFeo of Barclays Bank, which is just beginning to dabble in the World Wide Web.

Other banks prefer their electronic money to be rooted firmly in the real world. The talk is of an evolution in credit cards, with each card containing its own mini computer to deal with transactions. NatWest and Midland are the front runners in Britain, with a pilot of their system, Mondex, being set up in Swindon. Card users will be able to transfer funds from one card to another in any of five currencies, buy goods in shops and even download money from their bank over the phone.

When a customer swipes his card through a reader in a shop, the money is removed from his own card and credited to the shop's card. Eventually, bank cards could allow people to dispense with banks. If the Swindon trials are a success, the Mondex card will become widely available next year.

The danger of being left behind in the rush to commercialise the Internet is as real as the risk of being over-confident. Internet users are eager to start spending money; traders want to take it; and organisations such as CommerceNet are providing tested means to make it possible.

Once secure trading is established, anyone will be able to become a merchant on the Internet just by using the right software, and that could have a huge impact. Small family businesses could compete on an equal footing with established multinationals. They will have the same opportunities, the same limitations and the same global reach – or so the theory has it.

PEOPLE

A rising tsar in Moscow

Boris Jordan's mission is to rebuild capitalism. He is sublimely optimistic, report **Chrystia Freeland** and **Nicholas Denton**

Through the prism of the Chechen war, President Boris Yeltsin's Russia is looking more and more like the authoritarian Soviet Union it was meant to replace. But as the outnumbered band of reformers in the Russian government fights to preserve the reforms begun in 1991, Boris Jordan is one symbol of how much Russia has changed already.

His nickname is the "Tsar". Scion of an aristocratic White Russian family which fled to the west after the Bolshevik revolution, Jordan has returned to his ancestral homeland to rebuild capitalism. As co-director of its Moscow office, he has built CS First Boston, the investment banking arm of Credit Suisse of Switzerland, into the dominant player on Russia's nascent stockmarket. Of the $1.8bn in foreign investment Russia attracted in 1994, $1.2bn was channelled through his office.

Jordan's elevation has come quickly: he is still just 28 years old. After university, he did well enough to rise to be a vice-president at GPA, the aircraft leasing company, in New York. But the break came in 1992, when he was hired by Hans-Jörg Rudloff, head of CSFB in London and the force behind the bank's pioneering drive into eastern Europe after the collapse of communism.

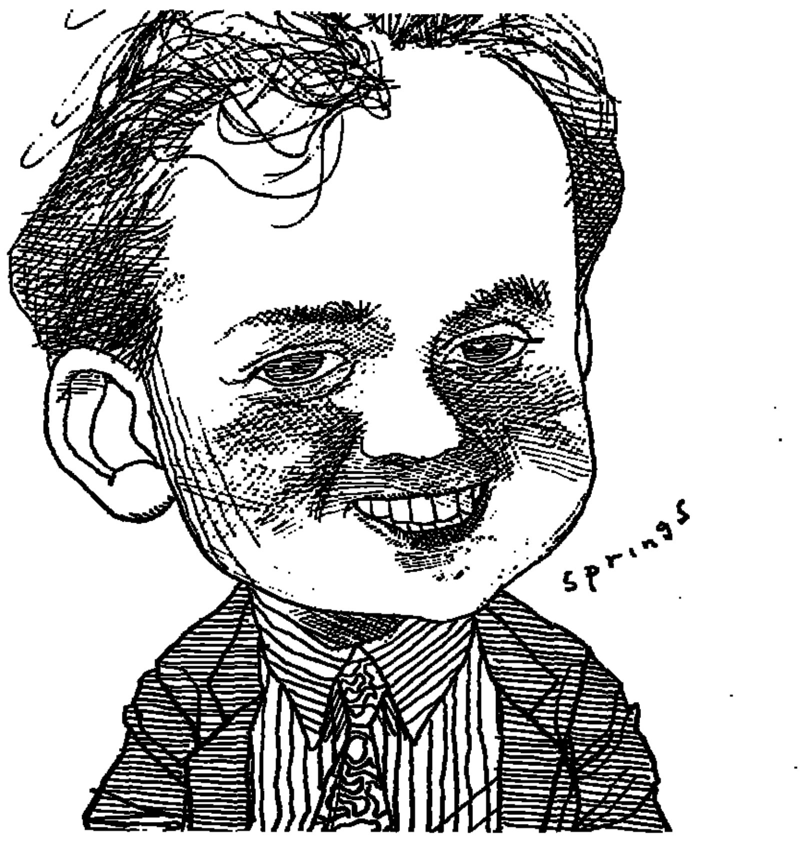
No one called Jordan "Tsar" in the first months in Moscow. He headed a small office contributing little to the bottom line of an organisation of 7,000 people. "It was very humbling when I first started," Jordan says. "I felt like the smallest person in the bank."

The judgment of his status was accurate. East Europeans at CSFB went by the affectionate, but condescending, name of "smellies". Jordan, although an American citizen, was an honorary east European by virtue of his ancestry. One CSFB executive summarises the headquarters view of Jordan and the other east Europeans: "A bunch of cowboys who did not know up from down."

The first 18 unprofitable months did nothing to challenge that impression but they gave Jordan the time to complete his mission, to insinuate himself into Russia's new political life.

"At first," he says, "we didn't need to make money. We needed to get to know the country. So, as soon as I got here, I immediately got involved with the privatisation guys." He did that by offering free advice to the State Privatisation Agency, the government body which ran the privatisation programme.

Much of his subsequent success can be attributed to the contacts Jordan made in his lean months as an unpaid adviser to the government. When challenges to privatisation, or to western investors, arise, as they do on an almost weekly basis in Russia, Jordan picks up the telephone and lobbies his old friends.



One of these is Anatoli Chubais, the former head of the privatisation agency who, as deputy prime minister, is now the leading reformer in the government. Jordan's standard response to any political threat to privatisation is "Don't worry, I'll call Anatoli and we'll sort it out".

The contacts have paid off in business as western investment in Russian shares boomed in 1993 and 1994. The Moscow office is thought to have achieved revenues of $105m in the first 10 months of 1994. Even with the downturn in the markets in November and December, and counting costs, last year Russia provided a substantial contribution to overall profits.

"I just don't understand why everyone else isn't coming here. Russia is one of the greatest opportunities of the decade and we are the only western player involved here in a serious way. I just don't get it."

Moscow's boost to CSFB's profits, at a time when the rest of the firm was suffering from the drop in the bond market, has silenced the London snobs. His superiors are indulgent of his self-promoting style and colleagues praise his talent for "talking the birds down from the trees".

Not everyone loves a tsar. Jordan has as many detractors as admirers. His eternal optimism about Russia has brought accusations that he is talking up his own book. "How can you trust him when he never thinks there are any problems in Russia," says a western lawyer in Moscow. "He's like a fairground barker."

Sceptics point to Jordan's previous position as vice-president of GPA, the Irish aircraft leasing company whose flotation was called off because of controversial accounting practices.

Another western banker says Jordan's dominant position in the market has "earned him the hatred of every other banker in Moscow". His clients grumble too; they say Jordan is exploiting his dominance of the Russian market to charge exorbitant trading margins of as much as 20 per cent.

The bombardment comes from all sides. Whenever conservatives accuse a western cabal of seeking to take over and undermine the Russian economy, they often name CSFB as a chief culprit. "We are in a difficult position because we've taken such a large stake in so many companies," Jordan says.

Indeed, CSFB's Moscow office bristles with bodyguards, and one western employee was robbed and beaten in his Moscow apartment. It is particularly vulnerable to a change in the political climate. If the hardliners triumph, CSFB will be in the line of fire.

One reason why other western investment banks have not rushed to follow CSFB's lead – some, like Goldman Sachs, have closed their Moscow offices over the past few months – is the confusing, and sometimes brutal, character of Russia's fledgling market economy.

Private property in Russia still rests on a fragile political foundation. Krasnoyarsk aluminium smelter deleted a big western investor's holding a few months ago. Last week Komineft, a Russian oil company, issued new shares without informing its shareholders, which included CS First Boston. This sort of behaviour, as well as the direct threat to reforms posed by hardliners in the government, has driven down share prices over the past few weeks and made many foreign investors reluctant to enter the market.

Not, however, Jordan, whose hallmark is an indefatigable long-term optimism which no Russian political crisis has yet managed to shake. His sublime confidence that he can safely steer CSFB and its clients through Russia's continuous political storms rests in part on his intimate political ties with many of Russia's new rulers.

Between Anatoli and the *nouveaux riches* Russians who have profited handsomely from privatisation, Jordan thinks the reformers will be able to resist attempts to reverse market reforms. "Some of the élite have now lined their pockets and they want to build on that," he says. "The people who've made money will win the political argument in Russia, although it won't be easy."

Jordan remains an eternal optimist. He's so bullish, in fact, that he's considering staying in Russia for good. "The biggest issue for me is do I stay and become a Russian," says Jordan, who learned the language as a child in New York City and speaks only Russian with his infant daughter. "My realistic side says go back, but there's a romantic side, which says to stay."

NAMES IN THE NEWS

Sabena's Godfroid makes his point

When the Belgian government put Pierre Godfroid (below) into Sabena, its loss-making state airline, it wanted him to shake things up, writes Emma Tucker. But it did not realise that it had put a tiger in Sabena's tank.

Last week, the man charged with rescuing the state-run national airline bared his claws and drew blood. In a furious letter to the Belgian press he told the government – which owns more than 60 per cent of Sabena – it had no right to criticise his plans to relocate 480 pilots to Luxembourg – an attempt to avoid Belgium's prohibitive social security costs.

Godfroid took over as Sabena's chief executive in 1991 on condition that the government gave him *carte blanche* to rescue the failing company as he saw fit.

The demand ruffled Belgian political parties used to placing their men and women on the boards of the country's still numerous state-owned enterprises. But the then communications minister – Jean-Luc Dehaene, today's prime minister – was desperate. No one else seemed prepared to take on Sabena.

Today Godfroid, former president of Campbell Europe, is on the verge of clinching a partnership arrangement with Swissair and has told the government he wants no lectures on the morality of his relocation plan.

The 60-year-old Flem – who fires off in thick Antwerp dialect when riled – is showing Dehaene's government that if it does not want him to sack Sabena staff, it must wake up to reality.

Last week, brandishing copies of British Airways and Sabena annual reports, he asked his financial director to apply Belgian social security costs to the British company, and the UK's lighter regime to Sabena. The result – British Airways made a small loss; Sabena moved into profit.

Fleming's plans for Toronto SE

Rowland Fleming has a reputation for abrasiveness and a short temper, writes Bernard Simon. Both these traits could prove useful in his new job as president of the Toronto stock exchange.

The TSE, which is North America's second busiest stock market after New York, languished under Fleming's patrician predecessor, Pearce Bunting, who retired at the end of last year. "What they really need is some vigour and direction," one securities industry executive says.

The TSE has a highly-regarded electronic trading system. But a series of mishaps and misjudgments has delayed the closure of its floor – originally set for early 1994 – by at least two years.

Meanwhile, Toronto is losing business to Wall Street as a growing number of big Canadian companies – most recently Bank of Montreal – list in New York. The TSE's international profile has also been eroded by Asian and Latin American markets. A record volume of 15.4bn shares valued at C$182.2bn changed hands on the TSE last year. But Toronto accounted for barely half the trades in Canadian companies listed on more than one exchange.

Dublin-born Fleming, 51, brings a fresh perspective to the securities industry. He was most recently chief executive of National Trust, a mid-sized trust and loan company, where he chopped 1,000 jobs, or one-fifth of the payroll. Before that, he spent 23 years at Bank of Nova Scotia.

Fleming says that his top priorities include setting a new deadline for closing the trading floor, and making sure it's met. He adds that "there are opportunities for us to provide better value by lowering costs".

Fleming is not yet ready to spell out his plans. "I take a very studied approach," he says. But he promises that "I have no hesitation in making the decisions that need to be made, whether they're difficult or easy."

The exchange's 92 member firms and 500 employees should brace themselves. Fleming claims that "I like what I see. I'm excited by it; it's a dynamic environment." But he utters these words in a deadpan voice, without a trace of a smile.

Bill Agee Pac-manned

This, surely, is the final exit for William Agee. The 57-year old from Boise, Idaho, has just blown up his second big public company, and is not about to get a third chance, writes Richard Waters.

The first was Bendix, in 1982. Agee had launched one of the 1980s' first aggressive leveraged bids – for defence contractor Martin Marietta – only to have his prey turn round and make a bid for Bendix. It was the first example of what rapidly became known in takeover circles as the "Pac-man defence".

Agee, helped by his adviser and wife Mary Cunningham, hastily arranged a defensive merger for Bendix with Allied Corp (now Allied-Signal) and found himself without a job – though considerably richer.

Last week, company number two – a big construction and engineering group, Morrison Knudsen – exploded under him. Agee succeeded in salvaging the staggering giant in the late 1980s. But his ambitious efforts to turn the company into the biggest supplier of railway carriages and equipment have been drawing gasps of disbelief in railway circles for the past couple of years; warnings that the company was overextending itself and engaging in cutthroat bidding were rife.

Now it is the MK shareholders' turn to gasp. Their dividend has just been scrapped and their shares are now worth less than a third of what they were a year ago. Agee bowed out last week.

ARTS

OPENINGS

LONDON
Birmingham Royal Ballet opens a week's season at Sadler's Wells Theatre, London, with a triple bill on tomorrow and Wednesday and performances of Ashton's evergreen La Fille mal gardée on Thursday, Friday and Saturday.

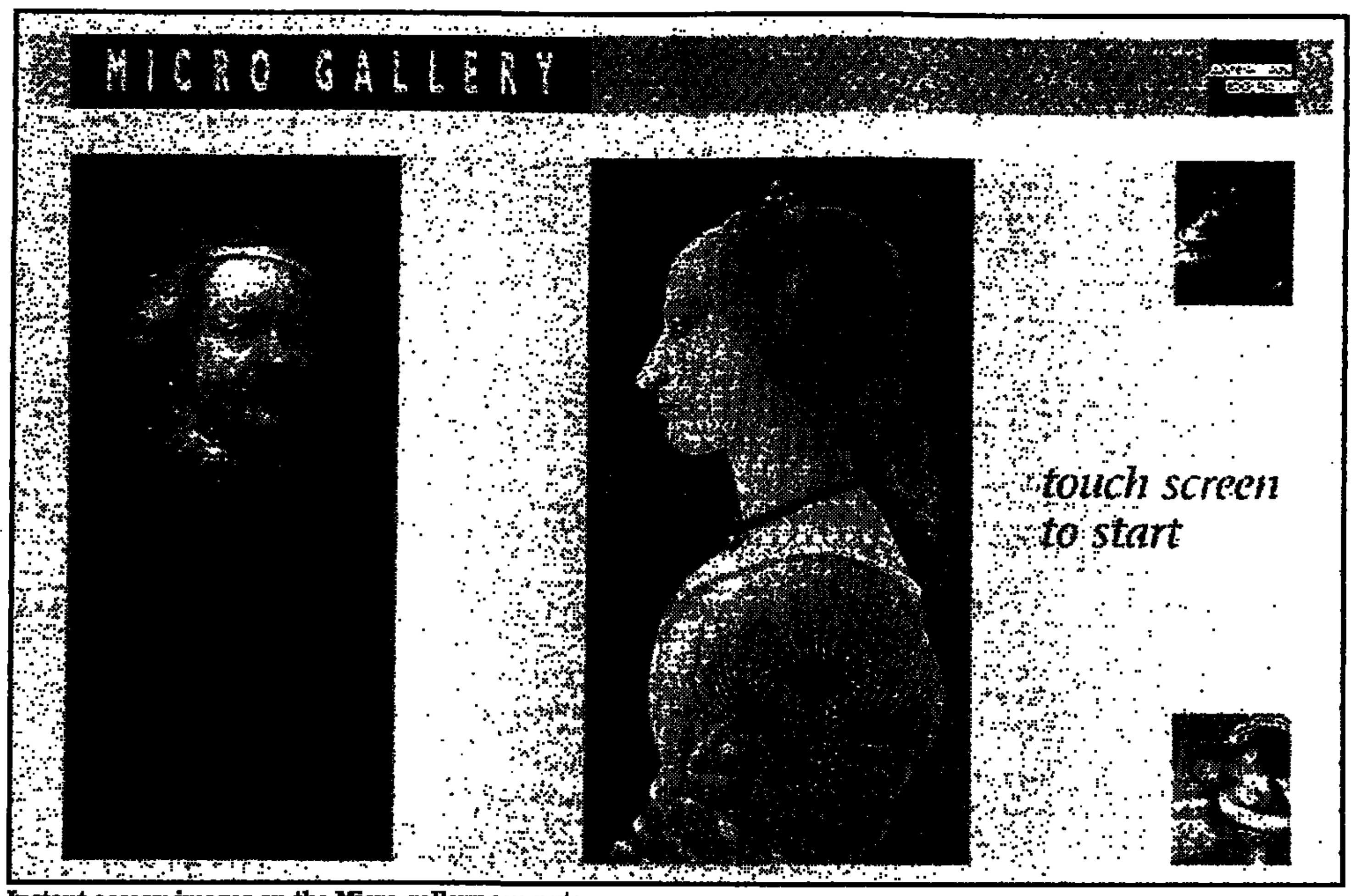
MADRID
Three of Austria's most influential early 20th century painters - Klimt, Kokoschka and Schiele - are the subject of an exhibition at the Juan March Foundation. Opening tomorrow, it features 35 oils painted between 1898 and 1918, mostly on loan from public collections in Vienna, Berlin and the US.

WASHINGTON
The National Gallery has prepared a major retrospective of Claes Oldenburg, a key figure in the Pop art movement of the 1960s. Opening on Sunday, the show comprises 200 drawings, collages and sculptures from 1958 to the present. It can also be seen in Los Angeles and New York later this year, and in Bonn and London in 1996.

PARIS
Paris is the second stop of a major Whistler retrospective, first seen at London's Tate Gallery last autumn. It opens at the Musee d'Orsay on Wednesday, and moves to Washington in May.

France's contribution to the Purcell tercentenary is a co-production with London's Royal Opera of "King Arthur". It is conducted by William Christie and staged by Graham Vick, with French baroque ensemble Les Arts Florissants. First night at the Chatelet is on Thursday, and the production visits Caen and Strasbourg before arriving at Covent Garden in May.

GLASGOW
Eberhard Weber looks like a Viking and, thanks to an electronically improved double bass, he sounds like a one man string quartet. This fleet and inventive German solo jazz virtuoso begins his UK tour at Glasgow City Hall on Thursday.



Instant access: images on the Micro gallery computer

Keying into culture

Will new technology mean an end to gallery-going as we choose to gaze on priceless works of art in the comfort of our homes, asks Antony Thorncroft

On three Sundays before Christmas, the Tate Gallery had to close early. Around 18,000 people – three times the normal Sunday attendance – were piling in and the galleries were clogged. A similar crisis has threatened the National Gallery, where attendances in the past year have risen by more than 10 per cent to a record 4.3m.

Both museums are busy adding new technological attractions which should increase their short-term popularity – and their revenues – even further. Last week visitors to the Tate could hire (for £2) a wand, a portable audio guide which gives access to 100 major works, rising to 200 in six months. In June the National Gallery is introducing its own audio commentary which will cover all the 1,000 plus works on its main floor.

After years of unsatisfactory recording systems – tapes which led the user on strictly controlled routes or transmitters operating fitfully behind pictures – state-of-the-art technology now makes picture viewing a much more pleasurable experience. No more peering at uninformative labels: a spoken commentary will tell you what the artist is getting at and even provide background scandal. And you can choose which works you wish to explore.

For added edge, the two museums have plumped for competing systems. TateInform at the Tate is produced by Acoustiguide and is a triumph of the micro chip. It is lightweight and easy to use – but runs for just four hours. The National Gallery has gone for a portable CD-Rom guide from ACT, the computer services company, which is bulkier but contains 35 hours of commentary. It will cost £3 and 500 sets will be available.

Initially there will be only 75 Inform wands for hire at the Tate. But the system has its attractions. As well as recorded introductions to each gallery, for certain key works – such as David Hockney's "A bigger splash" and Francis Bacon's triptych of grotesques – the artists themselves give their informed, or eclectic, opinions of the pictures.

The National Gallery, with all its artists long dead, cannot provide such insights but it does offer saturation coverage. And reassurance: for no major museum in the world has embraced new technology as comprehensively and successfully as the NG. It is the global pioneer and has made the CD-Rom the servant of art scholarship.

This expertise has come as something of a surprise to director Neil MacGregor who, as a typically unscientific art historian, is responsible for all this cutting edge technology. But he has risen to the challenge and sees himself maintaining an NG tradition: in the 1930s the director Lord Clark started a photographic department which, through book and film illustrations, promoted the collection outside Trafalgar Square, while the gallery's scientists' research into the effect of light on pictures has been used in the digitalisation of colour images of the collection.

But it was the decision to add a Micro gallery, the first in the world, to the new Sainsbury wing in 1991 which precipitated the current flood of technological packages. American Express sponsored the gallery with £500,000. There, any visitor can call up on screen every painting in the collection; conjure up close detail of many; and plan a personal tour of the gallery. The inspection is free; the charge for the guide print-out more than covers the running costs.

More to the point, the software programme created for the Micro gallery has formed the basis of the CD-Rom of the National Gallery's collection. In a year it has sold 100,000 copies – over half in the US, where it was promoted by Bill Gates' Microsoft as an incentive for consumers to trade up to a CD-Rom computer.

The gallery has already received around £250,000 in royalties from the CD-Rom and the 2,000 paintings from its collection have entered homes around the world. Following this success the gallery released in January "Great Artists" through Marshall Cavendish, which covers the lives and works of 40 major artists. This has been marketed mainly to schools and colleges.

This spring comes the new edition of the complete illustrated catalogue of the National Gallery collection, which will be published in CD-Rom form as well as a book. It is sponsored by Morgan Grenfell with £125,000, which enables the price of the book, plus CD-Rom, to be kept at £80. Although the catalogue is aimed at the scholarly market, its low price should rapidly clear most of the 7,000 edition.

By the end of the year, online subscribers will be able to summon digital colour images of every picture in the collection on their screens at home. Quite soon the technology will allow even higher definition so that the artist's brush strokes, tentative early drawings, and later restorations will be available for study, by students as well as specialists.

Microsoft's Bill Gates, whose interest in art recently extended to the purchase, for $30.8m (£19.7m), of a Leonardo notebook, is already experimenting with print-outs and wall projections of the National Gallery's collection. A full-sized version of Turner's "Rain, Steam and Speed" or Holbein's "The Ambassadors" could soon enhance thousands of living rooms world-wide.

But will this revolution eventually be at the cost of galleries themselves? Neil MacGregor's educational vision, that the National Gallery should be owned by the people, becomes virtual reality through modern technology. He believes that studying the pictures on screen in advance will enhance the experience of confronting them in the flesh. And, while justifying the museum's name, new technology also brings in extra revenue. On top of the publishing ventures with the CD-Rom, the audio guide could generate another £400,000 a year.

The Tate is progressing more slowly. It anticipates greater technological fulfilment in its new Bankside Gallery of Modern Art, which, millennium money willing, should open in 2000. But it is soon releasing CD-Roms, priced at £145, on selected parts of its collection, on Barbara Hepworth and on Expressionism, aimed directly at schools and colleges. It is currently adding images to its existing database and, within two years, plans to offer an online service to interested art lovers, bringing the Tate into the home.

The National Gallery is fortunate in having just over 2,000 flat works of art in a slowly expanding collection. The Tate has about 20,000 objects and adds many more each year. But both museums have an obvious advantage over the British Museum and the Victoria & Albert, each with millions of objects covering every field of aesthetic and historical endeavour.

By a happy chance the UK's unrivalled artistic heritage has been married to a national adeptness at computer software. A new age of cultural imperialism has commenced, which returns works of art, in the contemporary computerised format embraced by the youth generation, to the nations where they might well have been originally fashioned. But while a global audience admires from afar, there is ultimately little likelihood that technology will reduce the crowds anxious to see art in situ. And the financial pay-offs from computerisation should at least enable the UK's museums to cope with the flow.

Opera/David Murray

King Priam

Almost 33 years after its première, Michael Tippett's second opera has a new staging in London. No serious opera-lover can afford to miss it. *King Priam* is grand, succinct and moving, and the English National Opera production – transplanted from Opera North, where it was seen in 1991 – does not betray it. Neither did Sam Wanamaker's original production at the Royal Opera, but that had its last revival long ago. For most of the Coliseum audience, *King Priam* will be a potent new experience.

Where Tippett's *Midsummer Marriage*, some seven years earlier, had been recklessly lush, ecstatic and almost unmanageable, *King Priam* is flinty and dense. It has the true afflatus of tragedy, not because its action – the Trojan War, of course – is drawn from Homer, but because Tippett has his own consistent vision, from a point high above the struggle. Though the music of the second and third acts conjures up epic strife, the military triumphs and defeats are signalled rather than fully enacted; the real combats are personal and familial.

A key to Tippett's treatment is what he does with 48 of Priam's 50 sons – which is to ignore them. Besides Priam himself, only the elder Hector and the younger Paris figure here, locked in sibling rivalry. There are also their wives, and a chorus-like trio of concerned onlookers, and just one god (Hermes). The besieging Greeks are represented by Achilles and his lover Patroclus alone. The Trojan legend becomes, in Freud's sense, a "family romance", beginning with the birth of the fateful second son and ending with the death of the father.

That is still a large cast of principals for so compact an opera, and Tippett adopted the device of characterising each not only by his or her own sharply distinct music, but by the instrumental groups that accompany them: for example Hecuba's seething, imperious violins, Achilles' moody guitar, Hector's bounding piano (superbly played here by someone whom I cannot find credited in the programme-book). Thus the score is a frieze, a continuous sequence of sculpted, brilliantly contrasted panels; even the larger set-pieces never involve more than three people at once.

Though Tippett claims "the mysterious nature of human choice" to be his theme, there are no free choices here, except perhaps Priam's decision to welcome the boy Paris – for whom infanticide had been decreed – back into the family. Everything follows as fated: in fact his real theme is surely the acceptance of whatever flows from one's choices, however disastrous. The final music is elevated and broken, like Oedipus at Colonus.

Directed and designed by Tom Cairns and Aletta Collins, the production is penetratingly loyal. There is just the necessary minimum of archaic armour, and some timeless mufti in place of chitons and the like: no mythical fancy-dress, nothing extraneous. Clarity is all (though Act 2, which tacks between the Trojan stronghold and the Greek camp, looks a bit muddled and indeterminate, unlike the Wanamaker version). I wish they would re-think the over-amplified barrage they have made of Achilles' feral war-cry, which ends that act with the presage of doom. Without artificial aids it cost the original Achilles (Richard Lewis) a sore effort, but it froze one's blood.

Nevertheless, Thomas Randle's Achilles here is a splendid creation, and Christopher Booth-Jones's Hector matches him, with Peter Snipp's shy, manly Patroclus. Of the Opera North cast only three remain: Andrew Shore's staunch, agonised Priam (a Christoff-like weight and sonority would be ideal, but never mind), Mark Curtis's airy Hermes and Christopher Ventris's touching, helpless Paris – as a man: the boy Paris is the excellent Samuel Burkey.

Susan Bickley sings a lovely Andromache, Janice Cairns a shrilly forceful Hecuba; Jean Rigby is sultry and enigmatic as Helen. Richard Van Allan makes a grave Ancient, slightly undervoiced, but joined strongly in the "semichorus" trio by Ethna Robinson and John Daszak as Nurse and Young Guard.

Paul Daniel conducts with great polish and brio. Almost too neatly, sometimes: certain voices in certain passages sound like mere hangers-on against a tight, self-sufficient orchestra, and the unforgettable brazen fanfares at the opening and the close need more spreading, echoey depth, though the offstage choral voices ring hauntingly. But those are small quibbles; the sheer precision of Daniel's intentions makes its mark, and the opera moves toward its bleak climax on a relentless track, strewing musical riches all along the way.

Remaining performances Thursday, Saturday, and Friday 17 February

Glamorgan festival wins the Prudential

The Vale of Glamorgan Music Festival, which celebrates the work of leading living composers, has won this year's £75,000 Prudential Award for the Arts. The award, announced last night at the National Theatre in London, was conferred for the festival's programming, "coupled with the quality of the performances and the presence of the composers themselves."

This year's festival, directed by John Metcalf, features the work of Louis Andriessen, Conlon Nancarrow and Michael Nyman and runs from August 12 to 19.

INTERNATIONAL ARTS GUIDE

BERLIN

OPERA/BALLET
Deutsche Oper Tel: (030) 341 9249
● Ein Maskenball: by Verdi. Conducted by Rafael Frühbeck de Burgos/Sebastian Lang-Lessing, produced by Götz Friedrich at 7.30 pm; Feb 10
● L'Italiana in Algeri: by Rossini. Conducted by Ion Marin/Carlo Rizzi, produced by Jérôme Savary at 7 pm; Feb 8, 11
● The Marriage of Figaro: by Mozart. Conducted by Stefan Soltesz, produced by Götz Friedrich at 7 pm; Feb 7, 9

LONDON

CONCERTS
Barbican Tel: (0171) 638 8891
● Grand Classical Evening: David Coleman conducts the National Symphony Orchestra with tenor Bruce Rankin and baritone Steven Page to play a wide and varied programme of classical music at 7.30 pm; Feb 11
● Tippett: Visions of Paradise: Sir Colin Davis conducts the London Symphony Orchestra to play Tippett's, 'Triple Concerto' and Elgar at 7.30 pm; Feb 12
Festival Hall Tel: (0171) 928 8800
● Igor Oistrakh Plays Medelssohn and Tchaikovsky: Simon Phipps conducts the English Chamber Orchestra and violinist Igor Oistrakh at 7.30 pm; Feb 11
● Philharmonia Orchestra: with violinist Kyung-Wha Chung and conductor Kurt Sanderling plays Beethoven and Bruckner at 7.30 pm; Feb 8
Royal Academy Tel: (0171) 439 7438
● Philharmonia Orchestra: Kurt Sanderling conducts Beethoven and Shostakovich at 7.30 pm; Feb 12
GALLERIES
National Portrait Tel: (0171) 306 0055
● Christina Rossetti: an exploration of the Victorian poet on the centenary of her death; to Feb 12
OPERA/BALLET
English National Opera Tel: (0171) 632 8300
● King Priam: a new production of Tippett's opera that opens the London festival - Tippett: Visions of Paradise, to celebrate the composer's 90th birthday at 7.30 pm; Feb 9, 11
● Rigoletto: Jonathan Miller's updated version of Verdi's opera where the duke is a mafia boss at 7.30 pm; Feb 10, 13
Royal Opera House Tel: (0171) 340 4000
● Così Fan Tutte: by Mozart. A new production directed by Jonathan Miller. Conductor Evelino Pidò: In Italian with English surtitles at 7 pm; Feb 6, 8
● Der Rosenkavalier: by Strauss. Conducted by Andrew Davis, directed by John Schlesinger. Soloists include Felicity Lott/Anna Tomowa-Sintow as Prinzess von Werdenberg at 6.30 pm; Feb 7, 11
● Giselle: music by Adolphe Adam. A Royal Ballet production choreographed by Marius Petipa after Jean Coralli and Jules Perrot and produced by Peter Wright at 7.30 pm; Feb 9
● La Bohéme: by Puccini. Conducted by Simone Young/ Paul Wynne Griffiths, directed by John Copley. Soloists include Angela Gheorghiu/ Amanda Thane as Mimi and Maria McLaughlin/ Judith Howarth as Musetta at 7.30 pm; Feb 10
THEATRE
National, Cottesloe Tel: (0171) 928 2252
● Dealer's Choice: written and directed by Patrick Marber, six men stay up late to play poker, and win at all costs at 7.30 pm; Feb 9 (7 pm), 10, 11 (2.30 pm)
National, Lyttelton Tel: (0171) 928 2252
● The Children's Hour: by Lillian Hellman, directed by Howard Davies at 7.30 pm; Feb 9, 10, 11 (2.15 pm)
National, Olivier Tel: (0171) 928 2252
● The Merry Wives of Windsor: by Shakespeare. Terry Hands directs his first production at the National. With Denis Quilley as Falstaff, Brenda Bruce as Mistress Quickly and Geraldine Fitzgerald as Mistress Ford at 7.15 pm; Feb 6, 7, 8, 9 (2 pm)
Riverside Studios Tel: (0181) 741 2251
● Hancock's Last Half Hour: by Heathcote Williams, directed by Mark Piper. Set in a Sydney rented apartment, Jim McManus relives comedian Tony Hancock's last hours at 8 pm; to Feb 11 (Not Sun)

MADRID

GALLERIES
Fundación Juan March Tel: (91) 435 48 40/435 42 40
● Klimt-Kokoschka-Schiele: exhibition of 35 works by the three Viennese artists; from Feb 7 to May 21

MUNICH

GALLERIES
Haus der Kunst
● Deutsche Romantic: previously on show in London, this exhibition has created much discussion in Germany. It examines the work of early German Romantic painters and their cultural and political impact on successive generations of German artists; to May 1

NEW YORK

OPERA/BALLET
Metropolitan Tel: (212) 362 6000
● Cavalleria Rusticana / Pagliacci: by Mascagni/Leoncavallo. Production by Franco Zeffirelli, conductor Christian Badea at 8 pm; Feb 7, 10
● Il Barbiere di Siviglia: by Rossini. Produced by John Cox, conducted by David Atherton at 8 pm; Feb 6, 9, 11
● La Traviata: by Verdi. Produced by Franco Zeffirelli, conducted by John Fiore at 8 pm; Feb 13
● Turandot: by Puccini. Produced by Franco Zeffirelli, conducted by Nello Santi at 8 pm; Feb 8, 11 (1.30 pm)
THEATRE
Joseph Papp Public Theatre Tel: (212) 598 7150
● The Merchant of Venice: by Shakespeare. Directed by Barry Edelstein, and with Ron Leibman playing Shylock at 8 pm; (Not Mon)
Roundabout Theatre Company Tel: (212) 869 8400
● The School for Husbands/ The Imaginary Cuckold: by Molière. Michael Langham directs this Richard Wilbur translation starring Brian Bedford at 8 pm; to Mar 12 (Not Mon)

PARIS

CONCERTS
Champs Elysées Tel: (1) 47 23 37 21/47 20 08 24
● Jorge Chaminé: baritone with pianist Maria Françoise Bucquet plays Tchaikovsky, Borodin and Glinka at 8.30 pm; Feb 7
● Maxim Vengerov and Itmar Golan: an evening of violin and piano recitals by Mozart, Beethoven, Prokofiev and Shostakovich with violinist Vengerov and pianist Golan at 8.30 pm; Feb 6
GALLERIES
Musée d'Orsay Tel: (1) 45 49 11 11
● James McNeill Whistler: exhibition of works; from Feb 8 to Apr 30
OPERA/BALLET
Opéra National de Paris, Bastille Tel: (1) 47 42 57 50
● La Damnation de Faust: by Berlioz. Conducted by Myung-Whun Chung and produced by Luca Ronconi. Soloists include Béatrice Uria-Monzon as Marguerite, and Thomas Moser/Gary Lakes as Faust at 7.30 pm; Feb 9, 12 (3 pm)
● Lucia di Lammermoor: by Donizetti. A new production by Andrei Serban with Maurizio Benini and Roberto Abbado (from April) conducting the Orchestra and Chorus of the Paris National Opera at 7.30 pm; Feb 8, 11

ROME

CONCERTS
Teatro Olimpico Tel: (06) 3234890
● Festival Orchestra of Brescia and Bergamo: with pianists Gerhard Oppitz, Bruno Camino and Antonio Ballista. Agostino Orizio conducts Bach at 9 pm; Feb 9

WASHINGTON

CONCERTS
Kennedy Center Tel: (202) 467 4600
● National Symphony Orchestra: with violinist Cho-Liang Lin. Paavo Berglund conducts Kokkonen, Tchaikovsky and Brahms at 8.30 pm; Feb 9, 10
GALLERIES
Corcoran Tel: (202) 638 3211
● Family Lives: photographs by Tina Barney, Nic Nicosia and Catherine Wagner. Exhibition explores the power of photography to subvert or reinvent our experience and understanding of events and relationships; to Feb 13
OPERA/BALLET
Washington Opera Tel: (202) 416 7800
● Semele: by Handel. Conductor Martin Pearlman. Roman Terleckyj directs a Zack Brown production at 8 pm; Feb 6 (7 pm), 9
● The Bartered Bride: by Smetana. Conducted by Heinz Fricke. In English at 8 pm; Feb 8

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FT Business Morning

10.00
European Money Wheel
Nonstop live coverage until 14.00 of European business and the financial markets

17.30
Financial Times Business Tonight

Midnight
Financial Times Business Tonight

De Tocqueville is back in fashion

MICHAEL PROWSE on AMERICA

Visceral dislike of government is nothing new in America. The nation owes its existence to a grassroots revolt against British colonial rule. The difference today is that the American people are venting their anger on their own representatives in Washington, rather than foreign oppressors.

The intensity of anti-Washington sentiment is shocking even professional politicians. It swept Newt Gingrich to victory in last November's congressional elections and has emboldened state governors and city mayors, who are now demanding greater liberty. It is absurd, they argue, that nearly every aspect of social and economic policy should be minutely regulated by distant bureaucrats in Washington. Give us the freedom to design our own policies, they say, and we will make faster progress while cutting taxes.

It is an argument that floors most Washington politicians. Educated Americans are brought up to revere Alexis de Tocqueville's classic work, *Democracy in America* (1835). After touring the US in the 1830s, the French aristocrat and philosopher declared that the genius of the American political system lay in its decentralisation. Americans were resourceful and public-spirited because local communities were largely self-governing. The federal government was tiny and preoccupied mostly with foreign affairs. Unlike in Europe, personal initiative was not crushed by a powerful and intrusive central state.

The US now bears little resemblance to the America that so entranced De Tocqueville. It now has an overbearing federal government of precisely the form that De Tocqueville inveighed against. In the 60 years since the Great Depression every level of American government has grown enormously, as it has elsewhere. But aggrandisement by the federal government is in a class of its own.

In the late 1920s, federal spending accounted for less than 3 per cent of gross domestic product; most government functions were regarded as state and local responsibilities and these lower tiers spent nearly three times as much as the federal government. The roles have since reversed: the federal government now absorbs about 22 per cent of GDP, dwarfing the share of states and localities. And it micro-manages states to the point of stipulating the dimensions of wheelchair ramps.

Recognising its vulnerability, the governing class in Washington is trying to appease the states. The Senate and the House have already rushed through legislation that would restrain future "unfunded federal mandates" – rules that imposed detailed requirements on states without providing any finance.

Mr Gingrich and the Republican congressional leadership are talking of scrapping several federal departments, including education. And they would like to replace some joint state-federal "entitlement" programmes such as welfare for single-parent families and healthcare for the poor with "block grants". The states could design their own programmes but, if the money ran out, they would have to make good the shortfall or else turn people away.

Mr Clinton, who last year planned to impose "one size fits all" reforms of healthcare and welfare on the entire nation, is now offering states a little extra flexibility. But he is more chary than Republicans of devolving powers, lest states take the opportunity to cut social benefits.

Sceptics will argue that the talk of "new federalism" is mostly cheap rhetoric. They will recall that Presidents Nixon and Reagan proposed a shift of responsibilities to states in previous decades, yet achieved little. Times, however, have changed. Voters' frustration with Washington has taken deeper root. After more than a decade of partisan bickering and chronic federal deficits, people's faith in the competence of the federal government is badly eroded. In most spheres of public policy, people now look to governors and state officials for ideas, not presidents or senators.

Yet De Tocqueville would be troubled by the ad hoc character of the present debate: nobody has articulated a criterion for deciding which tier of government should do what. Given their history, Americans should surely be attracted by the "subsidiarity" principle that has been so influential in European debates. This says that government works best when it is closest to those it serves; functions should thus be devolved to the lowest tier of government capable of performing them.

Application of the subsidiarity principle would have revolutionary consequences for the structure of US government. It would imply that Washington should restrict itself to such classic functions as macroeconomic policy, defence and foreign affairs, law and order, international trade, domestic competition policy and (perhaps) environmental protection. In theory the federal government could divest itself of responsibility for nearly everything else, including healthcare, education, pensions, welfare, housing and a host of other activities. Individual states or coalitions of smaller states could surely provide all of these services for residents. Different states, of course, would choose to provide varying levels of service. But what is wrong with a little variety?

Those who regard this as pure fantasy should recall that for two-thirds of its history, the US did have a minimal federal government. The lack of a powerful central bureaucracy did not prevent the US advancing from its colonial origins to become the world's most prosperous nation early in this century. Indeed, De Tocqueville would argue that America was able to advance so rapidly only because so much responsibility was vested in individual citizens and localities.

Peter Norman on tensions among G7 countries exposed by the rescue of Mexico's economy

A hazardous helping hand

The world's leading industrial democracies have done their best to bury the hatchet following last week's dispute over President Bill Clinton's surprise international support package for Mexico.

But behind the smiles of the finance ministers of the Group of Seven leading industrial countries at their weekend meeting in Toronto, there lurk serious problems about the management of international economic policy co-operation.

To a great extent, the details of the Mexican crisis and the US-led response to it are symptoms rather than the cause of difficulties between the US and certain European members of the G7, comprising the US, Japan, Germany, France, Britain, Italy and Canada.

Despite the appearance of harmony, there was no concealing the irritation still felt by some European finance ministers, notably Mr Theo Waigel of Germany, at being sucked into the unprecedentedly large $50bn rescue.

But the ministers and their central bank colleagues in Toronto appear not to have questioned whether the G7 is still capable of serving as a forum for co-operation and co-ordination among the industrial countries in the rapidly changing conditions of the post-cold war world economy.

The G7 came to prominence in the 1970s and 1980s as its members strove to prevent currency turmoil from prompting protectionism. At the level of finance ministers, the group later broadened its interests to the surveillance of each others' economic policies in the hope of making them compatible and promoting growth.

With time, the group's interests have expanded still further to include such issues as nuclear reactor safety, the battle against drugs and the transition of former communist states into market economies. Despite the widening agenda, the finance ministers, who with the G7 central bank governors meet three or four times a year, have always appeared more focused in their activities than the G7 heads of government who meet each summer for their economic summit.

But the world has not stood still in the two decades of economic policy co-operation among the G7. Some of these changes are reflected in the way the Mexican crisis affected the group's policy makers.

As the illustration shows, countries outside the industrialised world are of growing importance. If national output is measured in purchasing power parities (which economists increasingly believe provide a better way of comparing countries than the traditional dollar calculation of gross national product), populous countries such as China, India and Brazil count among the top 10 leading world economic powers and Indonesia makes it into the top 15.

This diminution of power and influence among the industrialised nations is set to continue as the developing countries as a group continue to grow faster than the industrial countries.

Another big change in the world economy has been the creation of large regional trading blocs. Groupings such as the European Union and North American Free Trade Area (comprising Mexico, the US and Canada), as well as increased trade among Asian countries, mean regional priorities can cut across G7 ties.

Free-flowing capital movements, an important element in the phenomenon of globalisation, strengthened these ties still further in the case of the US and Mexico.

The US response to the crisis – to knock together the biggest-ever financial rescue package and expect its G7 partners to accept it with minimal consultation – highlighted Mexico's importance in the regional context. A collapse would not only hit US mutual funds and other American investors that had piled into *tesobonos* and other Mexican securities; it also stirred fears of mass immigration from Mexico into the US.

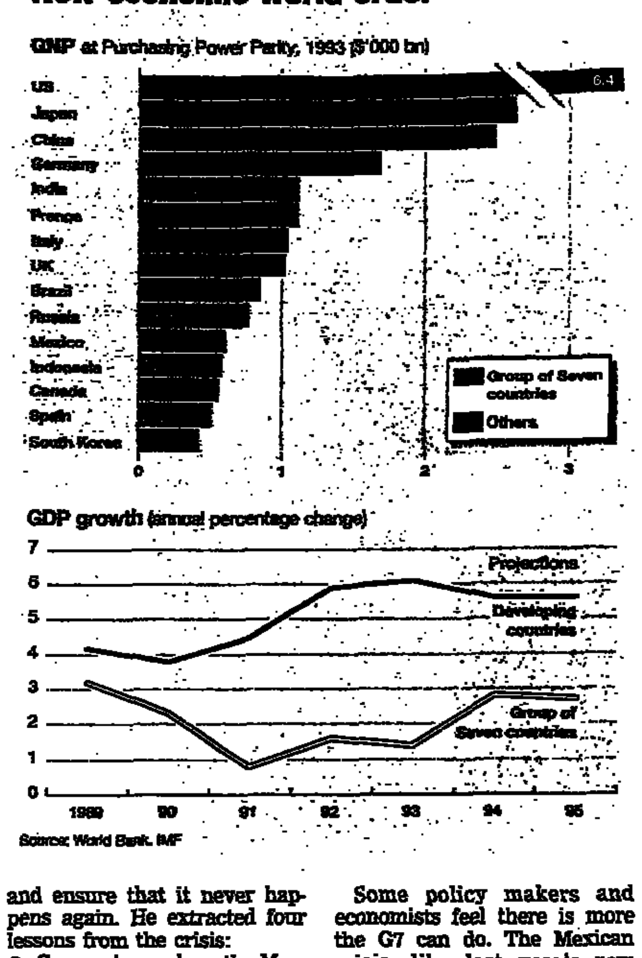
From a US viewpoint, it was understandable that President Clinton produced his package with little regard for European sensibilities once it became clear that Congress would refuse to back his earlier plan for supporting Mexico through $40bn of guarantees.

The problem facing G7 policy makers is to decide where to go from here.

Some, such as Mr Hans Tietmeyer, the Bundesbank president, want to draw a line under the Mexican experience and ensure that it never happens again. He extracted four lessons from the crisis:

- Currencies such as the Mexican peso should only be linked to another currency such as the dollar if domestic economic policies permit this.
- Countries should beware of taking on debts in a foreign currency or with a foreign currency link.
- International surveillance of economies should be intensified.
- The international community should not rush to create new facilities to assist countries such as Mexico, for fear of creating a moral hazard (an environment in which other countries might be tempted to pursue imprudent policies in the expectation of an international rescue).

New economic world order



Source: World Bank, IMF

Some policy makers and economists feel there is more the G7 can do. The Mexican crisis, like last year's row between the G7 and other members of the IMF Interim Committee over proposals to boost international liquidity through an issue of the IMF's own reserve asset, the Special Drawing Right, has exposed a gulf of understanding between the G7 countries and the developing world.

According to Mr Robert Hormats, a vice-chairman of Goldman Sachs International, the US investment bank, and a former US foreign economic policy official, the G7 must tackle the problem of "outreach" to the global economy.

The current US administration last year identified a "big 10" of especially promising developing countries that are growing about twice as fast as the rest of the world. The problem confronting officials in the industrialised countries is that there are no obvious fora where the G7 countries can meet and exchange information with such countries as Indonesia, Brazil or India.

The IMF Interim Committee includes representatives of the industrialised, developing and former communist countries. But with 24 members, it is considered too unwieldy to serve as a basis for intensified co-operation. Some countries, including Britain, therefore intend to develop their "outreach" bilaterally. Drawing lessons from the Mexican crisis, a senior UK Treasury official plans to begin a series of visits to important emerging economies to establish the type of contacts that are now routine among the G7. His first destinations will be Mexico and Turkey.

Mexico's crisis will colour the G7 initiative to review the institutions of global co-operation which was announced at last year's Naples economic summit, and which is likely to be the main theme of this year's G7 summit of heads of government in Halifax, Nova Scotia, in June.

Although this G7 exercise could take many years to complete and will require careful co-ordination with other groups of nations if it is not to founder, there are already some ideas for improving the surveillance role of the IMF in this context.

It has been suggested, for example, that the Fund might draw up a code of conduct for member states which would commit them to minimum standards of transparency. If Mexico had been obliged to publish details of its reserve movements, its short-term liabilities and foreign exposure, financial markets might have been better informed and Mexico's government could have been forced into a more timely and less damaging exchange rate adjustment.

But some experienced observers of the G7 believe the problems are closer to home.

"The lesson is that the G7 needs to be much more engaged in co-operation," argues Mr Hormats of Goldman Sachs. "Europe and the US are not on the same wavelength on Mexico or other important issues. It is therefore important to try and improve the spirit of co-operation."

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). Translation may be available for letters written in the main international languages.

Directors' leader out of touch on Europe

From Mr P.G. Hirsch.

Sir, As a member of the Institute of Directors I was distressed to discover from your letters' page (February 2) that its director general, Mr Tim Melville-Ross, appears out of touch with both reality and his membership.

He compares the benefits of Britain's "democratically elected and accountable" system to the European Union's "tortuous and irrational legislative process".

Democratic? A government which imposes policies such as water and rail privatisation against the will of the vast majority of the electorate, in a system which disenfranchises large parts of the electorate (for example, it took 42,000 votes to send each Conservative MP to parliament compared with 300,000 for each Liberal Democrat).

Accountable? Is he not aware of the extent to which the past decade has seen the government emasculate local government and move decision making to Westminster bureaucrats and government appointed quangos.

Before Tim Melville-Ross attaches the title of Director General of the Institute of Directors to his personal interpretation of democracy, perhaps he should democratically consult the views of his members.

P G Hirsch,
The Red Lodge,
1 St John's Road,
East Molesey,
Surrey KT8 9JH, UK

From Mr Richard Brown.

Sir, Tim Melville Ross overstates his point in suggesting that UK business as a whole finds loss of sovereignty to the European Union unsatisfactory. On the contrary, a large proportion of businesses believes that it is appropriate for the EU institutions to be concerned with a number of areas affecting their businesses, including issues relating to trade, the environment and transport.

The benefits of what he describes as rule by the European Union are clearly being felt by those who are expanding their exporting, importing or investing in the new markets, as a result of common trading conditions that the pooled sovereignty of the European Union provides.

Richard Brown,
deputy director general,
Association of British Chambers of Commerce,
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By the rule

From Mr Donald Jamieson.

Sir, Alison Smith states ("Heavy paw of the watchdogs", February 1) that under the current UK regulatory system compliance officers "can rely on the rulebook to ensure that the company's marketing material is up to standard". Would the same compliance officer teach their children that it is always safe to cross the road when the little green man is lit up?

Whether or not underlying principles of good conduct are prescribed, if the aim is best practice, narrow compliance with the requirements of a rulebook may not in itself always be sufficient. Even the children have to exercise discretion.

Donald Jamieson,
39 Broomieknowe,
Lasswade, Midlothian,
Scotland, UK

Confused view of German banks' role

From Mr Thomas Martini.

Sir, You continue to mix up rather badly the issues of why German banks have a few industrial participations, how companies are financed and how they are governed (Lex: "Deutsche stumbles again", January 31).

Many, arguably most, investments by banks result from rescue operations by these banks (Deutsche's stakes in Daimler-Benz, Fiat and KHD are but a few examples). It follows without saying that these are problem companies when the bank steps in and that they may take a little while to turn around.

British banks are apparently neither inclined nor perhaps capable of such rescue operations. A major cultural difference between Germany and the UK does of course lie in the German view that a company may be worth saving even if this may take longer than the London stock market would have breath for with a British company.

That German banks are close to companies which they finance through credit appears also entirely appropriate: witness the persistent laments in your letters column that this is not so in the UK, and the much higher cost of finance in the UK, whether through debt or dividends.

The annual meetings of German companies are invariably very well attended: Deutsche, Daimler et al accommodate several thousands of shareholders each year at their annual meetings, which just as invariably last eight or 10 hours as shareholders question directors and supervisory boards, with subsequent lengthy reports in the newspapers of these meetings. Does this happen in the UK? How public are your public companies?

Finally, the supervisory boards of German companies have, as you know, half their members recruited from employees and trade unions, typically one or two bankers and otherwise a handful of leading industrialists. Why only blame the bankers when things go wrong?

For that matter, why blame anybody? Was the last UK recession as short or as shallow as that of Germany (remember that, concurrently, west Germany continues to transfer 5 per cent of gross domestic product to the east!).

Thomas Martini,
Hainallee 16,
D-44139 Dortmund,
Germany

Events not connected

From Mr Jeremy Deedes.

Sir, Contrary to your diarist's suggestion of a connection between the replacing of Hendersons as manager of the Telegraph pension schemes and the departure of Cazenoves as brokers at The Telegraph (Observer: "Black marks", January 27), the decision to appoint Schroders as pension schemes manager, in place of Henderson Pension Fund Management, was not made by our newspaper's management.

Potential new fund managers were asked to make presentations in April, two months before Cazenoves resigned as our brokers. The unanimous vote to change was taken by the Pension Fund Trustees, none of whom is on the board of The Telegraph plc, and half of whom are elected staff representatives.

Jeremy Deedes,
chairman of trustees,
Telegraph Staff Pension Plan,
1 Canada Square,
Canary Wharf,
London E14 5DT, UK

Air traffic control costs

From Mr P.M. Johns.

Sir, May I make a small correction to the article by Michael Dempsey, "Efficiency in the skies" (February 2).

The costs of European air traffic control, and the European Air Traffic Control Harmonisation and Integration Programme and Central Flow Management Unit developments in particular, are paid for by the users – the airlines – not from government funding.

We maintain very close links with both airlines and their representative organisations such as the International Air Transport Association, Association of European Airlines and the like, and I can assure you that there is no doubt in their minds whose money it is we are spending.

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US and China on the brink

For the fourth time in as many years, the US and China stand on the brink of a threatened trade war. To judge by the precedents, and the apparent differences dividing the two sides, it ought still to be possible to settle the dispute before the sanctions deadline. However, that will require exceptionally well-judged diplomacy at a moment when the political balance in both countries looks disturbingly fragile.

In Beijing, room for manoeuvre is constrained by a succession struggle which threatens to strengthen the hand of hard-liners. In Washington, the leadership vacuum has been harshly underlined by Congress's recent failure to approve President Bill Clinton's proposed bail-out for Mexico. In such circumstances, events could easily run out of control.

The danger this time is that a weak US administration will be pushed too far by conservatives bent on making a whipping-boy of China and widening the dispute beyond trade. Mr Newt Gingrich, the House speaker, has already hinted at still tougher sanctions to browbeat Beijing into concessions. Such talk simply risks undermining the moderates in Beijing and turning Chinese truculence into rigid intransigence.

The US needs to combine firmness in any further negotiations with realism about what they can achieve. It is right to press China to act more rigorously against piracy of intellectual property, whose importance to foreign companies Beijing still seems reluctant to acknowledge. However, it is unreasonable to expect China, as a developing country, to match overnight standards of protection in the west. Washington should view that as the goal of a long-term negotiating process, not of a single accord.

It is in Beijing's interest also to be more flexible. It stands to lose far more than the US from a trade war. Not only is the bilateral trade balance strongly in China's favour, but its economic development hinges on preserving the confidence of foreign investors. Only 10 days ago, Mr Zhu Rongji, China's first vice-premier responsible for economic policy, travelled to Switzerland to impress on a gathering of western businessmen his government's commitment to continued market opening and reform. Such assurances would be seriously devalued by a trade war.

China needs to accept that demands that it respect internationally recognised laws are not some foreign plot to disadvantage its economy; they follow directly from its own market-based reform policies. Nor should resentment at US demands to monitor its anti-piracy enforcement delude China into resisting all externally-imposed disciplines as an unwarranted intrusion into its sovereignty. Membership of the World Trade Organisation would oblige China to observe a wide array of international rules and sanctions. Unreasonable rejection of bilateral US demands would only intensify doubts about China's readiness to honour WTO commitments.

The next three weeks pose a stiff test of political maturity in both Washington and Beijing. Self-interest and the well-being of the world economy dictate that they resolve their dispute. That opportunity will be lost if they succumb to narrow nationalism and the politics of reprisal. Now is the time for cool heads to prevail.

Transport debate

Few issues are more important to national prosperity, yet harder to resolve, than an effective transport policy. Transport planning is highly problematic; the funding required for large projects is colossal; and when projects are decided upon by transport authorities, powerful interests conflict at every turn when it comes to implementation. Even Paris is experiencing difficulty in imposing its wishes on localities.

A report published last week by the UK's Confederation of British Industry suggests that the larger continental EU states have made a better job of transport planning than has Britain. The report focuses on long-distance infrastructure, the value of which is often questioned by environmentalists and those concerned with wider cost-benefit assessment. Yet much of its analysis applies equally to urban congestion, an increasingly serious problem in the UK, whose cities and larger towns could learn a great deal from its European neighbours.

Comparing the UK with France, Germany and the Netherlands, the CBI highlights three strengths of continental European practice. A wider degree of consensus has been achieved on policy priorities. A more strategic approach to improving transport links is evident. And governments are more willing to make long-term political and financial commitments to agreed objectives.

A debate is to be had on the significance to effective transport planning of different constitutional systems, such as federalism in Germany, and of new funding regimes, notably the quest for private finance in the UK. It is hard, for instance, to deny the case for a strategic authority dealing with transport in greater London.

However, the immediate challenge for Britain is to find a better way, within today's institutional framework, of forging consensus and identifying priorities. A classic instance of the current malaise is the call by Mr Brian Mawhinney, transport secretary, for a "rational" national transport debate, when no forum or mechanism exists for such a debate save the powerful vested interests which have generated the impasse in the first place.

If Mr Mawhinney wishes to stimulate a constructive debate, a sensible step would be for him to emulate the Treasury's "six wise men" and establish a panel of independent transport strategists. The job of the panel – chosen beyond the interest groups and reflecting the range of divergent opinion among informed observers – would be to advise the government by way of periodic, reasoned statements combining forecasts with policy proposals. The panel's advice would be public; in many cases it might not be unanimous.

Consensus on policy for, say, new trunk roads would not miraculously appear, any more than the Treasury's "wise men" have ended discord on economic policy. But such a panel could usefully highlight priorities and help set the terms of Mr Mawhinney's debate.

After the floods

As the water recedes, relief gains ground in European regions stricken by last week's river floods. A full-scale catastrophe in the Netherlands has been avoided, thanks in part to heroic action to shore up threatened dykes and well-organised evacuation. Nevertheless Germany, France, Belgium and the Netherlands have suffered heavy economic costs in terms of damaged property and lost output.

The traditional risks faced by river-dwellers seem to have grown in recent years as the result of inappropriate building measures that have changed the river's flow. After the second bout of serious Rhine flooding in little over a year, there is a pressing need for more effective European co-operation to minimise future dangers.

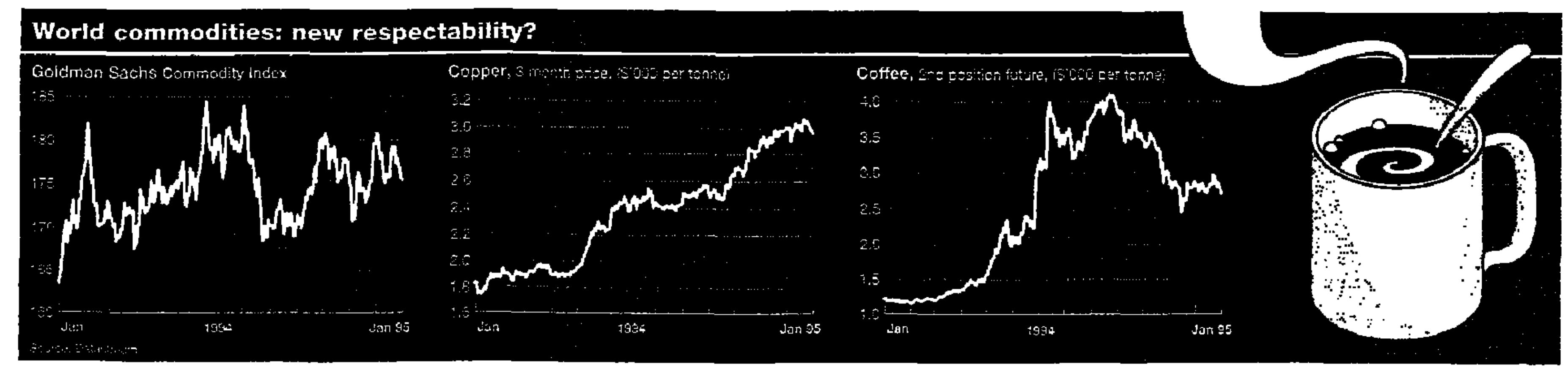
Environmental damage can often have adverse consequences far beyond the region in which it occurs. The effect of ill-conceived development along waterways, such as that of spills from chemical factories, flows downstream. Activities from tree-felling in the Alps to the construction of high concrete banks have changed the conditions under which water flows into and along the Rhine, with deleterious consequences for those living at its mouth.

Individually, such actions may make sense for those most directly involved. The flood barriers in southern Germany that have been blamed for amplifying Dutch floods are thoroughly justifiable to burghers in Baden. Similarly, measures to straighten the Rhine's flow have increased the safety and efficiency of barge operations along a river that accounts for roughly a fifth of Germany's long-distance goods transport.

However, insufficient attention has been paid to the cumulative impact of individual building decisions by municipalities along the river. In Germany, the problem of inadequate co-ordination is heightened by the federal system, in which flood control comes under local or state (Land) jurisdiction.

The threat of natural disasters can never be eliminated. Yet future flood risks could be lowered by a strengthening of river defences in the Netherlands, hitherto opposed by environmentalists anxious to prevent the spread of ugly concrete dykes. An extension of controlled flooding zones along upper stretches of the Rhine and better co-ordination of building work would also be desirable.

Above all, European governments should consider an integrated approach to assessing the costs and benefits of measures affecting water flows along the length of the river. Those keen on improving trans-European infrastructure networks could do worse than starting with a fresh look at the oldest cross-border transport links of them all.



Pork bellies in your pension

Investment banks are devising new products to allow fund managers to invest in commodities, say **Deborah Hargreaves** and **Graham Bowley**

Pork bellies and coffee beans may seem unlikely investments for a respectable pension fund. But sharp increases in commodity prices have convinced some fund managers and individual investors to consider commodities as a home for their money.

Bolstered by world economic recovery, copper and aluminium prices have risen 70 per cent over the past year, and the rubber price is up by more than 50 per cent in the past six months. With world bond and equity markets in the doldrums for much of 1994, fund managers have turned their attention to the energy, metals and even agricultural markets.

It is not just higher prices that attract investors. The increasing maturity of commodity markets has led many to see their potential as a fourth asset class to be added to equities, bonds and property.

International fund managers are being encouraged to put money into commodities by the launch of a plethora of new investment products based on commodity indices.

"We're in a bull market and some investors are taking their first steps in commodities, but it will probably not be until the next production cycle that commodities earn a permanent place in many portfolios," says Mr Steven Strongin, a vice-president at Goldman Sachs investment bank in New York. "We are setting up the infrastructure for investment in these markets in preparation for growth in the next three to five years," he says.

Bankers estimate that the international "over-the-counter" market for investment products based on commodities has been worth $15bn in the past 18 months, although accurate figures are hard to find because such contracts are not traded on an exchange.

An indication of the rising interest in commodities is the growth in the number of investment products listed on stock and futures exchanges worldwide. IFR Securities Data, the financial information service, estimates that the value of new issues of just one type of exchange-traded product – commodity-linked warrants – grew from $223m in 1990 to $1.86bn last year.

Mr Strongin points out that a stake in the commodities markets provides a useful counterbalance in a portfolio to falling bond prices as the two markets tend to move in opposite directions.

Rising raw materials prices have led to fears of a resurgence in world inflationary pressures which could undermine the value of assets such as bonds. Since most commodities, particularly metals and energy, provide the basis for industrial raw materials, they can offer a good hedge against inflation.

"I went into commodities in 1993 as an inflationary hedge for a fixed income portfolio. The investment had a stabilising effect on the portfolio's performance last year and, overall, provided a positive return," says one Swiss fund manager. He invested between 4 and 8 per cent of his bond portfolio in the Goldman Sachs Commodity Index futures contract.

The GSCI, launched in 1991, weighs energy, agricultural, livestock and metals commodities according their importance in total world production; it was the first of several new indices which make it easier to invest in commodities.

There were previous waves of enthusiasm for commodities in the 1970s and 1980s, but commodities then were less widely traded. Several years ago, investors who wanted to gain a foothold in the market had to buy individual commodity futures or options contracts. That meant keeping an eye on price movements in markets as diverse as wheat and crude oil, and being careful to sell futures contracts before they matured to avoid being landed with delivery of the physical product. It was also difficult to judge the performance of specific investments in relation to commodity markets across the board.

The indices, however, give an overview of commodity market performance because they calculate the combined price movements of many different products; they also provide a basis for index-related derivative products such as notes and warrants, and for investment trusts aimed at retail investors.

US investors, traditionally more ready to accept new investment products, have been more enthusiastic about commodities than Europeans. But bankers say Europe is catching up fast – accounting for almost all of the recent growth in the commodity warrants market, for example.

"The indices simplify the investment process in what is unfamiliar territory for many investors," said Ms Emma Conyers, in charge of marketing J.P. Morgan's new commodity index in London. Merrill Lynch and Bankers Trust have also launched their own indices.

Some of the investment banks, including Goldman Sachs and J.P. Morgan, have tried to distance their products from the traditional image of commodities as short-term, speculative investments by calculating their indices on what they call a "total return" basis.

The total return system takes into account not only capital gains, but also income from other sources, including interest on cash deposited with banks as collateral against the positions taken in the commodities futures markets. This makes it easier to compare the index with equities and bonds which are also expressed in terms of total return.

The arrival of Wall Street investment banks in the commodity markets has conferred a degree of respectability on what have been often viewed as fringe markets attracting unscrupulous operators. The availability of market analysis has also improved although coverage of commodities is not as well developed as in bond and equity markets.

But some analysts are still sceptical of the benefits of investing in commodities. "Interest, dividend and rental income from the three traditional asset classes give them a long-term value that is totally lacking in commodities. Base metals are mined to be consumed," says Mr Robert Davies, mining analyst at London stockbrokers Smith New Court.

Many investors also see commodities as risky since the markets tend to be smaller and more volatile than for other established investments.

"We wouldn't consider commodities an appropriate long-term investment because the return on our investment would not compensate for the volatility in prices," says Mr Peter Stanyer, investment manager for the £8bn British Rail pension fund.

Mr Stanyer says he would prefer to invest in mining equities if he believes metals prices are going up. That way, the fund can gain some exposure to the commodity price movements without being exposed to some of the risks.

"With hindsight, you can see the benefits of buying commodities last year, but I would be sceptical of our ability to get the timing right," says Mr Stanyer.

Another fund manager describes the trouble he had trying to persuade the fund's investment committee to take a dip into commodities. "They took a very conservative view and were reluctant to branch out. In the end, the treasurer killed my proposal," he says.

Commodity enthusiasts say that existing asset classes are far from perfect. "Many fund managers have at least 25 per cent of their portfolio invested in real estate," a fixed income manager says, "but it would be foolish to expect another property boom. A real asset like commodities could do the job of diversifying the portfolio if the real estate element were cut down and, say, five to 10 per cent was put into commodities."

Investment advisers would certainly not advocate putting the bulk of a portfolio's funds into commodities but stress that a small percentage – up to about 10 per cent of the portfolio's value – can provide a useful diversification.

With commodities rarely out of the news headlines last year – most dramatic was the surge in coffee prices following frosts in Brazil – investor interest has been aroused. Only the more daring have so far followed their inclinations with hard cash. But as commodities gain in respectability, fund managers may find they cannot afford to remain out of the markets.

Executive pay – a practical solution

PERSONAL VIEW

Public disquiet in the UK over executive pay in privatised industries is justified because the system for fixing it is flawed. Indignation would increase if the public understood the full pension implications of big increases granted within a few years of retirement.

There is no such thing as a "right" rate of remuneration, and arriving at one that satisfies all diverging interests is difficult. Striking a balance is a matter of judgment. Those who have to attempt it are often faced with the able but greedy. Most big companies have remuneration committees, but however hard they try to be objective, the results often look "wrong".

There may be particular reasons for this, such as the influence of a member of the committee who has become used to such high pay himself that his judgment is warped. Even where this is not so, all the pressures are in one direction – sharply upwards.

Able executives often write their own agenda for the committee to consider. Behind it is the implied threat of departure, perhaps abroad, since international comparisons are now more often prayed in aid.

The remuneration committee suffers from one basic flaw – all its members are colleagues of the executives whose pay they are deciding. Whether they admit it or not and whether they are even aware of it or not, there are subtle pressures at work that can easily undermine the balance of interests it is their business to find.

The relationships which should be built up between the directors on any board do not lend themselves comfortably to taking what some might consider a hard or tough line. In a big company, the committee can rationalise its approach by pointing out how little the odd £100,000 is in the context of the company's profits (especially after tax). Why risk upsetting a colleague?

The logical solution is that remuneration should be decided by people who do not have a continuing relationship with the executives. There would then be a better chance (but no certainty) of achieving a better balance between the various conflicting interests.

How could this be done? By setting up a special executive remuneration advisory committee (Erac) to do the job.

The Erac would be elected by shareholders at the same time as they vote on the directors each year; its members would not be directors, but like directors would serve for set terms, say three years. They would be paid, and there would be no shortage of good candidates, as the work would be interesting, yet limited in its scope and the time it demanded.

Remuneration would be decided by people without a continuing relationship with the executives

Anyone could be nominated to the Erac. To eliminate cranks, candidates would have to show on their nomination papers that they had the support of a proportion of the shareholders – say 3 per cent.

Candidates would also have to make a declaration that they were not a past officer or director of the company, or a supplier, customer, relative or competitor, and had no other conflict of interest, such as having acted as a consultant to the company. Since they would get confidential information, these safeguards would be essential.

The Erac would report to the board which would normally be expected to implement the recommendations. If the board did not wish to accept the Erac's recommendations, it would be obliged to publish them in the report and accounts with an explanation of what it had decided to do instead and why. Boards would think twice before doing so. Eracs would think twice before making recommendations that would not command support among the shareholders. Alternatively, shareholders could be offered the choice between the two sets of proposals.

Introducing Eracs would have an additional advantage. The burden on non-executive directors is growing, and this would relieve them of part of it, though they would share with other colleagues the task of considering the Erac's recommendations.

Although this proposal is offered in the context of the privatised industries, Eracs may be suitable for other companies above a market capitalisation of say £500m. They address the real problem in setting executive pay without cutting out the small shareholder. As important, they place the main burden where it ultimately belongs – on the large institutional shareholders, which have the interests of their beneficiaries to safeguard.

Those interests in the long run depend heavily on the prosperity of British industry, so the institutions have no interest in either destructive meanness, or profligacy. They are in the best position to help select people to strike the balance with unimpaired objectivity.

Jonathan Charkham

The author is a member of the Cadbury Committee on the Financial Aspects of Corporate Governance

OBSERVER

WHO feels poorly?

■ Hiroshi Nakajima, head of the World Health Organisation, is not having a happy time. Last week he took the unusual step of calling a press conference to rebut allegations by the WHO Staff Committee, which had suggested Nakajima had disparaged the professionalism of staff from developing countries, as well as criticising their adaptation to Geneva, where the WHO has its HQ. Nakajima said the remarks, made at an internal staff meeting, had been taken out of context.

Controversy has dogged Nakajima since he took over the UN agency in 1988. The WHO's previously high reputation has dissipated; staff morale is at rock-bottom. In 1990 the WHO lost one of its most charismatic figures, Jonathan Mann, who ran the organisation's Aids programme.

Nakajima was re-elected to the post in 1993 for a second five-year term, though not without considerable background grumbling. Opposed by the west, he scraped through thanks to votes from developing nations.

Just before Christmas, Sweden – traditionally one of WHO's staunchest supporters – withdrew $7m of funding from WHO's 1995 programmes, saying WHO was not carrying out reforms promised by Nakajima. It's a drop in the ocean compared with WHO's annual budget of $900m; but steady drips can break the toughest rocks.

Hanging loose

■ All change – into different threads – at IBM. The dark blue suit, white shirt and conservative tie are out – or at least, no longer *de rigueur* – and casual is in. And the new off-the-cuff approach has wormed its subversive way in more than just the sartorial. For rather than hearing about the pinstripe perestroika through a formal company statement, employees are learning about it via word-of-mouth.

IBM spokesman Rob Wilson didn't have a readily computed reason why there is no company-wide memo on the change, for, as he put it: "How do you define what is casual? We figure it would insult the intelligence of our employees."

The beginning of the end of IBM's formal dress code came in 1990, when then head of the personal computer business, James Cannavino, hosted the launch of the IBM PS/1, and wore a sweater.

So who will be the first to take a leaf out of the Microsoft book, and clock-in clad in cut-off jeans, T-shirt and no shoes?

Little palace

■ An exclusive apartment in a fine 19th century house on Stockholm's handsome waterfront might sound irresistible, but not to Sweden's two most recent prime ministers.

When present incumbent Ingvar Carlsson moves next month into the first official prime minister's residence, Sagerska Huset, it will be reluctantly. He and wife Ingrid would prefer their own flat in the sleepy southern suburb of Tyresö "by the woods and the sea". Carlsson's predecessor Carl Bildt was also unwilling to make the move, had he won last September's election.

But Carlsson has been persuaded that the enhanced security – and the lower security costs – offered by the refurbished palace make the move imperative. It was his own government of the late 1980s that made the decision to create an official residence, after the 1986 assassination of Olof Palme, shot by a still unknown assailant as he strolled home unguarded from the cinema. At least Carlsson should enjoy the convenience of Sagerska. It's just around the corner from the prime minister's office.

Bloc-busters

■ Libyan leader Muammar Gadaffi, now more than 25 years in power, seems to have had some time on his hands. He's just published his first literary work, a 12-novel compilation called *The Village, The Village, The Land, The Land, and The Astronaut's Suicide.* The book is on sale in Cairo and several Arab capitals, with proceeds destined for Libya's social security coffers.

Will this set a trend amongst international statesmen? A spy thriller from Boris Yeltsin, with proceeds to Russia's educational system, or a sex-and-shopping tale from Bill Clinton – with royalties to the US health programme?

Canadian stink

■ Participants at June's G-7 summit of the leading industrial nations in Halifax, Nova Scotia, may need to hold their noses. The fine view from the office tower where the leaders will meet is somewhat spoilt by pipes spewing 135m litres of raw sewage a day into Halifax harbour.

Over the years, little has been done to clean up the polluted harbour; various levels of government cannot agree who should foot the C$400m bill.

But the summit has concentrated minds as never before. The city now plans a public education campaign to cut down the amount of non-human waste that is poured down toilets. It may also try to turn an embarrassment into an opportunity by putting up a small sewage-treatment demonstration project near the summit site.

All that's highly diverting, no doubt. But locals fear that, given the history of the problem, the most lasting diversion will be of the flow to less visible outlets, while the summiteers are in town.

The Financial Times

100 years ago

Harrod's Stores
The ordinary general meeting of Harrod's Stores Ltd was held yesterday, Mr A.J. Newton presiding. The Chairman, in moving the adoption of the report, said the gross profit had been increased by the sum of £32,450. But the increase in the quantity of goods sold was proportionately greater than the increase of gross profit, owing to the fall in prices.

50 years ago

Film allotment
American cinema companies must get along with somewhat less film, the US War Production Board having allotted 256m ft of 35mm film to 11 companies for the first quarter of 1945. This is 16m ft under the allocation for the final quarter of 1944.

US-Eire air pact
The US State Department announces the conclusion of an air transport agreement with Eire providing that authorised American airlines shall have rights of transit and non-traffic stop in Irish territory. They will also have the right of commercial entry for international traffic at Shannon Airport.

FINANCIAL TIMES
Monday February 6 1995

Clinton budget likely to spark row over deficit

By Jurek Martin in Washington

President Bill Clinton's administration today presents the 1995-96 federal budget which is expected to prompt economic and political debate over both the projected deficit and large cuts in spending.

Republicans complained yesterday that leaked headline figures demonstrated that President Bill Clinton and his administration were no longer serious about deficit reduction.

These project a deficit of \$196.7bn in a total budget of \$1,600bn for the fiscal year starting in October, a slight increase on the \$192.5bn estimated for the current year.

The administration also foresees continuing deficits of about \$200bn a year over the next five years.

Included in the budget are about \$140bn of spending cuts over a five-year span, \$60bn of which is to cover the president's proposed middle-class tax cut. Today's details will show where the budget axe is to fall, but administration officials have confirmed that as many as 130 government programmes may be cut and many others merged or have their outlays frozen.

Excluded are the main government entitlement programmes – social security, medicare, and medicaid – as well as defence.

Mr Robert Rubin, the treasury secretary, said the spending cuts were "real and on the table". In contrast, he said, Republican proposals were "not there".

Mr Clinton is proud to have cut the deficit to under \$200bn from the \$300bn-plus he inherited from President George Bush.

But reducing the deficit produced no dividends from the electorate and could not prevent a landslide defeat in last November's mid-term elections. The Republican-controlled Congress wants to force a balanced budget by way of constitutional amendment but, as Mr Rubin noted, has yet to explain how that would be achieved in practice.

The president's political calculation appeared to be that there was little point in helping the opposition campaign and perhaps losing control over the whole budgetary process.

The administration, with Ms Laura Tyson, head of the White House council of economic advisers, is also advancing economic arguments for a more restrained approach to budget-cutting. Although the deficit would remain at current levels, its proportion of gross national product would decline from 2.7 per cent to 2.1 per cent over five years, the lowest since 1979.

Mr Clinton is also wary of being seen to turn against federal programmes close to his own and the Democratic party's heart. The budget therefore preserves spending on the national service corps, pre-school education, Aids research and rural development – in effect challenging the Republicans to be the first to brandish a potentially unpopular axe.

The Republicans already plan tax cuts far deeper than the president's, implying even greater offsetting spending reductions. But as long as the main entitlement programmes and defence remain off the table, both sides will still, relatively, be playing at the fiscal margins.

French socialists back Jospin for presidency

By David Buchan in Paris

France's Socialists yesterday rallied behind Mr Lionel Jospin, their overwhelming choice as presidential candidate, in his forthcoming campaign against Mr Edouard Balladur, the prime minister and Gaullist frontrunner.

Mr Jospin, a 57-year-old former education minister and party leader, beat Mr Henri Emmanuelli, the party's first secretary, with surprising ease in the vote for the nomination.

In the first-ever primary election staged by a French political party, 73 per cent of the party's 103,000 paid up members voted on Friday, with 65.85 per cent choosing Mr Jospin.

In a graceful acceptance of defeat, Mr Emmanuelli appeared before some 500 delegates at the nominating congress in Paris to say: "Congratulations, Lionel, and courage!" He pledged his support and, despite some contrary indications during the primary election campaign, said he would stay on as first secretary.

Yesterday's Socialist congress approved a presidential policy platform for Mr Jospin. The most controversial aspect calls for the statutory 39-hour work week to be reduced to 35 hours over the next five years "while guaranteeing salaries". The aim is to create more jobs for the record 3.3m jobless.

The size of Mr Jospin's primary victory makes it highly unlikely that any dissident Socialist candidate will emerge.

But there remains the electorally critical question of whether Radical, a leftwing party traditionally allied to the Socialists and brought to prominence by Mr Bernard Tapie, the maverick businessman, will now field its own candidate.

Radical leaders dislike Mr Jospin, who had warned the Socialists they would "pay dear" for a political alliance with the controversial Mr Tapie. But Radical leaders modified their stance late last week as Mr Jospin's primary prospects improved.

In his victory speech, Mr Jospin got the biggest roar of approval when he lambasted Mr Balladur's evident desire as the prime ministerial frontrunner to avoid debate as much as possible. "Edouard Balladur will have to learn what an election campaign is in a democratic country," said Mr Jospin. Mr Balladur has said he is only willing to debate with an opponent after the first round of voting on April 23 and before the final two-man run-off vote on May 7.

The main challenge for Mr Jospin is to come second on April 23 out of some 10 other candidates, and so ensure his place in the run-off. At the moment, Mr Jacques Chirac, the Gaullist mayor of Paris, is running second to Mr Balladur in the polls.

UK gilts

Continued from Page 1

the momentum towards further fundamental structural change. A repo mechanism will allow all market participants to take short positions, which entails selling gilts they do not own, and enable them to borrow cash against gilt collateral and so finance investments in gilts. The Bank says that will stimulate interest from international investors who are already familiar with the mechanism in other leading securities markets, so reducing borrowing costs.

But the final decision on that and other reforms rests with the Treasury and depends crucially on tax changes under consideration by the Inland Revenue.

The Bank is also pushing for the introduction of coupon-stripping facilities, which would allow new types of instruments to be created by separating coupons – a certificate detachable from a bond to be exchanged for dividends or interest payments – from the principal of a bond.

Such a system, which exists in the US, French and Canadian government bond markets, should also cut borrowing costs. The Bank thinks that stripping could be put into place as early as next year.

The Treasury is also thought to be close to recommending a more structured system of regular auctions along US lines.

Russia to consider private pension law

By Norma Cohen, Investments Correspondent, in London

Russia's parliament is set to consider the country's first private pensions system in new legislation expected to be introduced within a fortnight.

The measure, awaiting its first reading in the Duma, the lower house of the Russian parliament, will provide the first regulated framework for investment in a country where confidence in long-term savings is low, not least because of a series of financial scandals.

It will specify that approved assets be selected "on the principles of reliability, security, liquidity, profitability and diversification".

It is expected that pension funds initially would invest almost exclusively in treasury bills, although as securities markets evolve, investment in equities would expand. The pensions legislation would contribute to the growth of Russia's fledgling domestic capital market.

The Russian legislation relies on advice from UK experts for whom finance was provided by the British government's "Know-How" fund for Russia.

Advising the Russians has been Callund Consulting, a UK-based firm which also advised the Chilean government on its novel private pensions legislation, as well as the UK Government Actuary's Department, the Department of Social Security, and the law firm Nabarro Nathanson.

Russia would join several other east European states which are considering establishing private pension plans to augment state social security benefits that have been badly eroded by inflation and undermined by the changes which have followed the overthrow of communism.

Private pensions are intended to supplement the basic monthly Russian state pension which was raised by 60 per cent to R54,000 last week – enough to buy roughly 130 Moscow metro tokens.

However, the legislation would provide no fiscal incentives in the form of tax advantages to either individuals or employers who contribute. "We feel that in common with practice internationally, some form of fiscal incentive would be desirable," said Mr David Callund, senior partner at Callund and Co.

A rising tsar in Moscow, Page 12

Allies' hopes for closer European union

Continued from Page 1

European Court of Justice. A senior EU diplomat said: "We are not sympathetic toward the UK line on Europe, because that would put us completely at the margins of the negotiations. We are counting on a change of government." A second EU diplomat described the present UK policy towards Europe as unsustainable.

British officials caution that the UK negotiating position for 1996 is still being drawn up in the Cabinet, and point to strong cards Mr Major will play on defence, foreign policy, fraud and subsidiarity – the principle of devolving EU decision-making to the lowest appropriate level.

THE LEX COLUMN

Cracking the City club

Big Bang in 1986 swept away many of the City's club practices. It opened up London's financial markets to new competitors with deep pockets and prompted an industry shake-up. But the job was only partly done. Antiquated practices remain. Pressure to abolish these could bring further industry restructuring in its wake.

Last week brought the two most contentious issues into focus. First, news leaked of the Office of Fair Trading's intention to refer the decades-old system of equity underwriting to the Monopolies and Mergers Commission on the grounds that companies are being over-charged for raising capital. Then a report commissioned by the stock exchange and Liffe criticised the lack of transparency in market making, supporting an earlier OFT report.

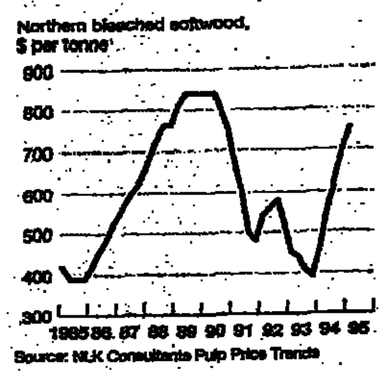
Vested interests will no doubt try to block change. Merchant banks such as Schroders will seek to preserve underwriting fees and market makers such as Smith New Court will fight against transparency in equity trading.

But the coalition for change is mounting. The OFT's initiatives are backed by the Treasury which believes that more competition would benefit companies and investors while enhancing the City's position as a financial centre. Meanwhile, institutional investors are distancing themselves from the underwriting system and turning against at least some of the market makers' privileges.

The attack on underwriting practices most exposes those merchant banks which do not have their own broking arms. Of the flat 2 per cent fee charged for rights issues and new issues, the banks receive a quarter while assuming virtually no risk. Opening up the process would allow integrated houses and stand-alone brokers to compete for this revenue stream. The winners are likely to be those who know how to price risk and distribute stock. If new competitors manage to elbow their way into raising equity for companies, the stand-alone banks would find their current franchise seriously damaged. The case for banks such as Schroders and Lazards acquiring distribution arms such as Smith New Court and Cazenove would increase.

Similarly, a drive to transparency in equity trading would undermine the franchise held by the big market makers. Profits would be under pressure because the market insight they obtain from handling the largest deals would become public property. Ultimately, London's quote-driven market could be replaced by an order-driven one – a system with which foreign houses are more familiar.

Pulp prices



Source: NLK Consultants Pulp Price Trends

The Bank of England's plans to modernise the gilts market could have similar effects. Introducing "open repos", "stripping facilities" and other US-style practices would allow complicated arbitrage plays between different bonds and currencies. But only those with derivatives know-how and international reach would be able to take full part.

As with Big Bang, rewriting the market's rules will provoke an industry shake-up. Aggressive competitors – mainly integrated US investment banks but also continental banks such as Swiss Bank Corporation – will find it easier to break into the market. Establishment firms will need to adapt by developing or acquiring new skills, particularly in trading and derivatives. Last year's S G Warburg/Morgan Stanley talks may have failed. But the trend towards the creation of integrated global houses will continue.

German accounting

The reputation of the big banks is not the only casualty of the stream of corporate débacles in Germany. The image of German accounting, once a by-word for conservatism, has also taken a knock. This is evident from a glance at the accounts of Klöckner-Humboldt-Deutz, the engineering group rescued last week. The figures for both 1992 and 1993 provide a grossly misleading picture of a company which, it is now known, was already in serious difficulties at that time. For both years, the company reported a small pre-tax profit. This was only possible because the company made use of a variety of techniques to inflate reported earnings, chiefly the release of provisions and the use of extraordinary and exceptional credits to offset the deteriorating operating position.

The story is similar at Metallgesellschaft, which first reported a pre-tax loss of DM347m in the year to September 1993. After the group's trading problems in oil futures came to light, the loss was revised up to DM1.9bn. The adjustment reflected a sharp downwards revision of the group's operating performance, as well as losses arising from oil trading.

The implication is that German accounts will provide a flattering picture of a company's health when that company is doing badly. Profits and assets will be understated only when a company is doing well. This is not comforting for investors in the German equity market. Those German companies which wish to be taken seriously by international investors should follow Daimler-Benz's lead and publish their accounts under US rules.

European paper

The rapid rise of pulp prices during the past year has been astonishing primarily for its steepness. From a low of just \$390 at the end of 1993, contract prices for a tonne of pulp have reached \$825. Asian spot prices have pierced the \$1,000 barrier. Strong economic growth has generated huge demand for paper products while little new capacity has come on stream.

However, the bonanza has not benefited all paper and pulp companies equally. The integrated manufacturers, found primarily in Scandinavia, have profited most. Those companies forced to buy market pulp have been squeezed between rapidly rising raw material costs and paper prices that have increased more slowly. Since the beginning of 1992, Scandinavian stocks such as MoDo and Repola have strongly outperformed less integrated groups such as Italy's Cartiere Burgo and Arjo Wiggins Appleton.

In spite of such outperformance, the Scandinavians could still be undervalued. Their price/earnings ratios are half those at the last peak. Potential investors may be scared off by the horrific losses they accumulated during the last recession. However, the recent wave of acquisitions suggests the industry will primarily invest its huge cash flows in building market share through acquisitions rather than capacity. That should ensure the next downturn is less severe than the last.

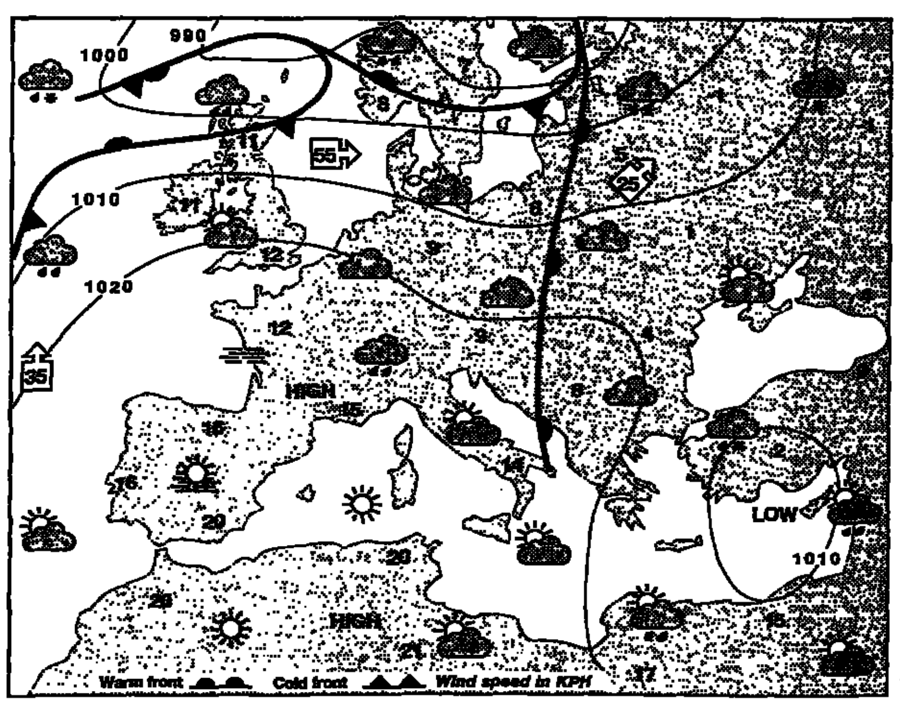
FT WEATHER GUIDE

Europe today

Mild and moist air will be drawn into western and central Europe in the wake of a warm front. Most areas will be cloudy with drizzle and persistent fog is possible. However, England and Ireland will have sunny spells and temperatures between 9C and 14C. A strong area of high pressure will bring plenty of sun to southern Europe. South-east Europe will become unsettled as an active depression crosses the eastern Mediterranean. Most of Scotland and southern Norway will be rainy and windy because of a series of low pressure areas. Southern Sweden will have occasional breaks in the cloud and unseasonably high temperatures.

Five-day forecast

High pressure will weaken over southern Europe allowing depressions to start to influence western and central Europe. As a result, there will be frequent outbreaks of rain or showers. Some showers will be wintry later in the week. From Thursday, northerly breezes will draw colder air south causing a significant fall in snow levels. South-east Europe will become milder and rather sunny.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	fair	27
Accra	fair	32
Algiers	fair	18
Amsterdam	cloudy	11
Athens	fair	10
Atlanta	sun	4
B. Aires	fair	28
B.ham	fair	12
Bangkok	fair	33
Barcelona	sun	16

Beijing	sun	4
Belfast	cloudy	11
Belgrade	cloudy	6
Berlin	drzzl	9
Bermuda	cloudy	18
Bogota	cloudy	22
Bombay	sun	31
Brussels	cloudy	10
Budapest	cloudy	8
C.hagen	fair	8
Cairo	shower	16
Cape Town	fair	32

Caracas	fair	32
Cardiff	cloudy	11
Casablanca	fair	16
Chicago	fair	-6
Cologne	cloudy	10
Dakar	fair	28
Dallas	fair	17
Delhi	sun	24
Dubai	fair	28
Dublin	fair	12
Dubrovnik	fair	13
Edinburgh	rain	12

Faro	sun	18
Frankfurt	cloudy	9
Geneva	drzzl	9
Gibraltar	sun	18
Glasgow	rain	12
Hamburg	drzzl	10
Helsinki	shower	4
Hong Kong	fair	17
Honolulu	cloudy	27
Istanbul	rain	4
Jakarta	shower	30
Jersey	fog	10
Karachi	fair	29
Kuwait	fair	21
L. Angeles	fair	24
Las Palmas	sun	22
Lima	cloudy	27
Lisbon	sun	16
London	fair	13
Lux.bourg	drzzl	8
Lyon	cloudy	10
Madeira	cloudy	18

Madrid	hazy	16
Majorca	sun	18
Malta	fair	17
Manchester	fair	12
Manila	shower	27
Melbourne	shower	24
Mexico City	cloudy	14
Miami	sun	18
Milan	fog	8
Montreal	shower	-14
Moscow	snow	-2
Munich	drzzl	10
Nairobi	fair	28
Naples	sun	15
Nassau	cloudy	23
New York	fair	-7
Nice	fair	15
Nicosia	shower	14
Oslo	fair	6
Paris	cloudy	11
Perth	sun	27
Prague	drzzl	9

Rangoon	sun	33
Reykjavik	fair	-4
Rio	cloudy	29
Rome	sun	15
S. Frsco	fair	17
Seoul	fair	2
Singapore	rain	27
Stockholm	cloudy	8
Strasbourg	drzzl	9
Sydney	thund	25
Tangier	fair	16
Tel Aviv	shower	16
Tokyo	shower	7
Toronto	fair	-12
Vancouver	rain	9
Venice	fair	11
Vienna	cloudy	11
Warsaw	drzzl	6
Washington	cloudy	-7
Wellington	shower	17
Winnipeg	fair	-12
Zurich	rain	9

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FINANCIAL TIMES
COMPANIES & MARKETS

Monday February 6 1995

MARKETS THIS WEEK

STEPHANIE FLANDERS:
ECONOMICS NOTEBOOK
In the days following the Mexican devaluation, President Ernesto Zedillo was pressured by outside investors to include more rapid privatisation in his new economic programme. In similar fashion, a recent string of privatisation policy reversals in Hungary have stoked fears that it will be the next emerging market to hit the rails. **Page 20**

BRONWEN MADDOX:
GLOBAL INVESTOR
There are good short term reasons why European consumer companies are performing well. But the long-term performance depends partly on a more profound liberalisation of European markets than has yet occurred. Last week's interest rate rises in the UK and US damped some enthusiasm for consumer stocks. **Page 20**

BONDS:
Increasing optimism that the Federal Reserve will be able stave off inflation and steer the US economy to a soft landing reached a peak on Friday as the bond market soared on news of a surprisingly high January jobless rate. **Page 22**

EQUITIES:
In New York, investors will be watching this week to see if Friday's soaring market will prove a momentary surge or the beginning of bullish times. In London, the long-heralded rise in interest rates was taken without serious distress. **Page 24**

EMERGING MARKETS:
In Pakistan, three months of negative sentiment, caused by domestic concerns over politics and the country's economic performance, have not been helped by the Latin American situation. **Page 23**

CURRENCIES:
While the dollar finished last week rising, sterling was falling. Markets will be looking this week to see whether or not those movements constitute fresh trends. **Page 23**

COMMODITIES:
Natural rubber producers and consumers meet in Geneva this week in a third attempt to negotiate a new price stabilising pact. **Page 20**

INTERNATIONAL COMPANIES:
Union Bank of Switzerland has acknowledged uncertainty over the legality of some of its actions during the run-up to a controversial shareholders' meeting last November. **Page 19**

UK COMPANIES:
Advanced RISC Machines, the UK microprocessor design group, has reached a technology licensing pact with the semiconductor division of Digital Equipment, one of the world's largest computer manufacturers. **Page 18**

STATISTICS

German savings group names sell-off adviser

By Nicholas Denton in London and Michael Lindemann in Bonn

Deutsche Postbank, Germany's largest savings institution, has taken a first step towards the private sector with the appointment of Salomon Brothers as financial adviser.

Postbank named Union Bank of Switzerland, the Swiss bank, and Vereinigte Postversicherung, the German insurance company, as possible buyers of small stakes.

It said UBS was advising on Postbank's expansion into money market and equity funds and Vereinigte Postversicherung was assisting in the development of life insurance products. "We could imagine that our co-operation will lead to them taking a stake [in Postbank]," a spokesman said.

The privatisation of Postbank, which was spun off from the German post office and incorporated in January, will follow that of Deutsche Telekom, the telecommunications service.

The sale will be one of Germany's largest privatisations, though smaller than that of the telecoms company, which is set for flotation in 1996.

Postbank, which operates 24.1m deposit accounts with a total of DM49.9bn ($32.6bn) on deposit, is expected to command a premium over its equity capital of DM4bn. The government has earmarked proceeds from privatisation for the unfunded pensions obligations of the three successor companies to the post office. Salomon has been working with Postbank since last year but government confirmation of its role and the privatisation strategy only came with Postbank's establishment as an independent company.

Postbank and its advisers are expected to have discussions with potential investors in the first half of this year with a view to offering strategic stakes over the next two years. The bank intends to build ties with other financial institutions that can help it expand the range of products it offers through its 20,000 outlets in post offices. Equity links would cement the relationships.

The flotation is expected to take place in 1997 or 1998; Postbank said it needed time to get its balance sheet into order.

The appointment of Salomon as adviser does not preclude the designation of another investment bank as co-ordinator on the eventual issue, Postbank said.

The law breaking up the German post office into three parts specifies that the government will hold on to 25.1 per cent of Postbank until the beginning of 1999.

Until the beginning of this year – when Deutsche Telekom, Postbank and Deutsche Post (formerly Postdienst) became joint stock companies – the only banking business Postbank was allowed to do was to offer clients savings books.

In 1991 Germany's commercial banks began putting pressure on the post ministry to prevent Postbank branching out into other financial products. They did not let up until last year when the new postal reform law finally settled the matter in favour of Postbank.

UBS doubts, Page 19

Agnelli letter tells of a healthier outlook for Italian carmaker, writes **Andrew Hill**

Cheer from Fiat heralds advent of la dolce vita

When Mr Gianni Agnelli, chairman of Fiat, tells Italy he has some good news, the whole country smiles in anticipation.

Last Thursday, smiles broke into grins when Mr Agnelli announced in his traditional letter to shareholders – a sort of industrial state-of-the-nation address – that initial estimates of Fiat's performance in 1994 were better than anyone outside the company had expected.

The 1994 figures are indeed impressive. At a pre-tax level, the group is set to achieve a L3,000bn ($1.85bn) turnround, converting a loss of L1,384bn in 1993 into projected profits of L1,750bn before tax for 1994.

At the same time Fiat has cut its net debt to L2,200bn, less than half its level a year previously. Analysts had been groomed to expect good news, but not this good.

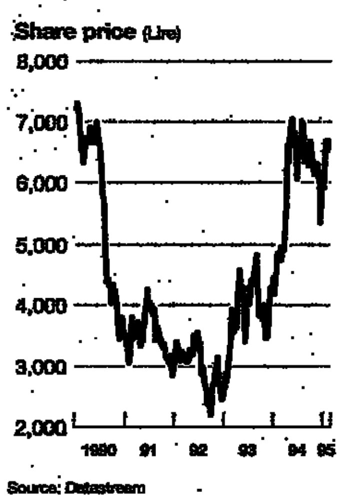
Some even believe Fiat has stored away some extra profit against the next cyclical downturn. Forecasts for Fiat's 1995 pre-tax profits were promptly increased to more than L4,000bn.

The last time the Turin-based group achieved such results was in the late 1980s. In 1990, however Fiat employed more than 300,000 people and had only just begun to think about updating its ageing range of cars. In 1995, Fiat is well on the way to achieving its aim of renewing the model range completely, having been canny enough to start the process with the popular Punto model. It now employs fewer than 250,000 people, and, more importantly, is winning its battle to persuade them to accept more flexible working practices.

The transformation was not achieved by management alone. There was a marked recovery of the car market during 1994 (although, as Mr Agnelli pointed out in his letter, it was not as marked as the previous year's decline). Fiat has also benefited from devaluation of the lira in 1992 and the currency's subsequent weakness, which has helped the group pursue an aggressive export drive and push up its share of the protected Italian car market to more than 50 per cent.

	1993 (Lire bn)	1994 (Lire bn)
Turnover	54,556	65,000
Operating cash flow	2,017	5,500
Net debt	5,247	2,200
Investments	6,659	4,600
Research and development	2,246	1,900
Pre-tax profit (loss)	(1,384)	approx 1,750
Employees	260,500	248,000

Source: Fiat



Source: Datastream

Giovanni Agnelli

Meanwhile, Italian government aid has softened the transition to modern working practices. The Punto plant in Melfi, a laboratory for more flexible working, was built with the promise of state aid, and a government deal helped Fiat soften the blow of redundancies and temporary lay-offs last year.

But the improved 1994 performance is also a reward for aggressive management by Mr Agnelli, Mr Cesare Romiti, group chief executive, and their colleagues, particularly Mr Giorgio Garuzzo and Mr Paolo Cantarella in the dominant automotive sector. Mr Agnelli identified four decisions, taken at the low-point of Fiat's fortunes, as fundamental to the recovery:

- to press ahead with a heavy investment programme;
- to bring down the company's "break-even" production level in line with the exceptionally low demand of 1993;
- to restructure the group to reduce costs; and
- to seek new funds via the complex L5,000bn capital-raising and disposal package announced in September 1993.

These measures have worked. But what happens in the next downturn will be the real test of management's nerve.

The worse than expected recession in the motor vehicle industry has dispelled investors' illusions about the importance of Fiat's diversified businesses, which were partly intended as defence against a slump in the core operations.

In 1994, sales from Fiat Auto, industrial vehicles (Iveco), and agricultural and construction machinery (New Holland) should account for 75 per cent of overall turnover, compared with just under 70 per cent in 1993. Dependence on the automotive market is even more notable if subsidiaries such as Teksid (the metals group), and Magneti Marelli (components) are taken into account.

Certain non-core businesses – such as La Rinascente, the retailer – were sold as part of the package of cash-raising measures in 1993, but Fiat still owns substantial interests in the manufacture of railway rolling stock, insurance, publishing and construction. Fiat says they are still an important defensive part of the group. But, as Mr Lorenzo Colucci of NatWest Markets in London points out, "it's clear now that these other businesses are marginal".

As a motor vehicle group, Fiat knows it cannot afford to place its hopes on the domestic market, or even the European market, for much longer.

In 1995, the group will be helped initially by its increased market share in the Italian car market, which is lagging the European recovery. Having dropped by 20.4 per cent in 1993, the Italian market shrank a further 2.7 per cent in 1994, and recovery is expected this year.

To anchor its revival, however, and protect itself from the inevitable political and economic hiccups of its home country, Fiat is placing increasing emphasis on foreign markets, including developing regions such as Latin America, eastern Europe and Asia. Some 37 per cent of the group's workforce are now employed outside Italy, and a growing proportion of automotive production is sold abroad, ranging from six out of every 10 cars to nine out of every 10 tractors.

Even if it sticks to this course, Fiat seems unlikely to lose its symbolic position as the spokesman for Italy's industrial economy, which is now dominated by smaller, mainly unquoted, export-oriented companies. But it will only be clear that the group has finally shed its old ways when the declarations of Fiat's top management start to make news in India, China and north Africa as well.

Thorn to axe chain of electricals shops in UK

By David Wighton in London

Thorn EMI, the UK music and rentals group, is expected to announce that it is axeing its Rumbelows electricals chain when it reports its third quarter results tomorrow.

After nearly a decade of losses, Thorn is expected to reveal plans to rebrand most of the 300 shops and close the rest.

Analysts predicted that Thorn's shares would be boosted by a decision to take action on Rumbelows, which is estimated to be losing more than £10m ($15.6m) a year. The shares rose 32p to £10.50 last week on rumours that Thorn would close or sell the chain.

The group has been struggling to turn Rumbelows around for more than 10 years. In 1986 its television rental accounts were transferred to Thorn's Radio Rentals chain with the loss of 650 jobs. In 1992, after Rumbelows had lost more than £50m in the previous three years, it was announced that the then 450 shops would be converted into rental outlets.

With the worsening electrical retailing market undermining its efforts to find a buyer for the chain, Thorn has been experimenting with new formats.

Last year, it introduced a UK version of Fona, its Danish chain television and hi-fi shops. It has also piloted a format called Crazy George's, an electricals and furniture chain, modelled on its successful Rent-A-Center chain in the US.

Before costs relating to the restructuring analysts are predicting that Thorn's nine-month profits will be up from £251.1m to around £330m.

This week: Company news

US COMPANIES

Goodyear keeps a firm grip on profit margins

Goodyear on Wednesday is expected to cap a strong year with a further revenue increase in the final quarter of around 4 per cent. The price rises implemented in the US last October are expected to have offset most of the effects of higher raw material prices, enabling the company to maintain operating profit margins at around 12 per cent.

Earnings for the final quarter could come in as high as 90 cents a share, up from 76 cents a share the year before. This would put full-year earnings at $3.75, up 16 per cent from 1993.

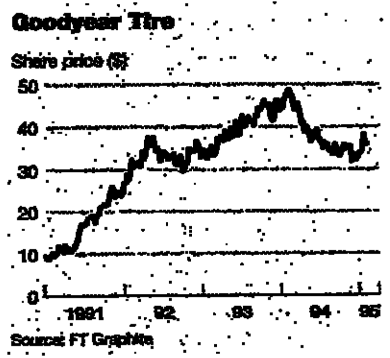
Brewer Anheuser-Busch and soft drinks company PepsiCo are both expected to report record annual results as the US corporate reporting season draws to a close. With its fortunes closely tied to the mature US beer market, the St Louis-based producer of Budweiser will record sluggish sales growth overall. However, a continuing shift towards higher-margin premium beers, together with share repurchases, should lift Anheuser-Busch's earnings to around 67 cents in the final quarter, up from 62 cents a year before. This would put full-year earnings per share at $3.87, 9 per cent up on 1993.

PepsiCo, meanwhile, is expected to see a 10 per cent advance in earnings per share for the year, to around $2.20, on the back of growth in the beverage and snacks businesses both in the US and internationally. Better profit margins in these two businesses, which account for nearly two-thirds of sales, will be offset by weaker growth from the restaurant side. Pizza Hut, while continuing to register modest revenue growth, is likely to see a further erosion in margins in the competitive take-out market.

Overall, PepsiCo is expected to register earnings of 62 cents a share for the final quarter, up from 55 cents a year before.

Also tomorrow, 1994 figures from

Goodyear Tire



Source: FT Graphite

Allied Signal should reflect strong sales to motor manufacturers and the continuing productivity gains promised by chief executive Mr Lawrence Bossidy. Double-digit earnings per share gains for the quarter and year as a whole are expected on the back of revenue growth of around 5 per cent. Earnings could reach 70 cents for the quarter and $2.66 for the years as a whole.

Emerson Electric, also expected to report on Tuesday, has already forecast sales growth of 13 per cent and earnings per share growth of 15 per cent for the latest quarter, the first of its financial year. The growth, partly from acquisitions, will lift earnings per share to a record 91 cents for the quarter.

The poor conditions in the US property/casualty insurance market will continue to cast a shadow over the results of Aetna, the biggest quoted US insurer, which is due to report on Wednesday. Weak margins from commercial lines of business, and environmental liabilities reported in the middle of last year, will result in a decline in full-year earnings per share to around $4.40, from $5.30 a year before. Final quarter earnings are expected to reach $1.40 a share.

Earnings from Allstate will reflect a different blight on the insurance industry: big catastrophe losses, resulting last year from the Northridge earthquake. A better final quarter, for which the company is expected to report earnings of 60-65 cents a share, will leave it with full-year earnings of under a dollar, compared with $2.67 in 1993.

OTHER COMPANIES

Boost to Ericsson from mobile phones

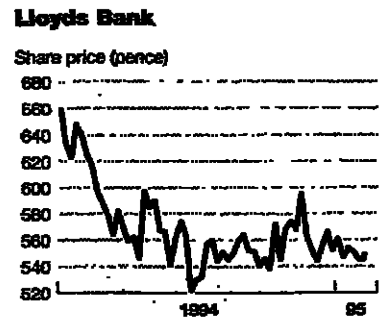
Ericsson, the Swedish telecommunications group is expected to unveil profits of around SKr5.5bn ($740m) when it reports its 1994 figures on Thursday. The result would be more than 70 per cent higher than 1993's SKr3.1bn and reflects surging sales of mobile phone equipment, where Ericsson is the world leader. Analysts expect the group to maintain its momentum in 1995 and are already pencilling in profits of around SKr7.4bn

■ **Metallgesellschaft** will try to show itself as a normal company again this week and talk about current business instead of past disasters. Having started its legal battle against former directors over the US oil trading losses which nearly bankrupted it, the German company will describe at a press conference tomorrow how its metal, chemical and trading operations are faring. It has forecast operating profits of more than DM100m ($65.3m) for the financial year to September 30, 1995 after the deep red ink of 1993-94.

■ **British Airways:** The international carrier is expected today to announce improved third-quarter pre-tax profits of £70m to £92m ($143.5m), against £65m last time. For the first nine months to December 31 this spread will bring profits to £411m-£433m, from £300m.

■ **British Sky Broadcasting:** Analysts expect the UK satellite television company to make pre-tax profits of up to £100m ($156m) in its first results tomorrow since flotation. The results follow last week's announcement of an alliance with Reuters, which industry sources reckon could mean medium-term cost savings for BSkyB of £10m on satellite usage contracts.In June the company announced a continuing rise in both subscribers and profits.

Lloyds Bank



Source: FT Graphite

■ **Lloyds:** The UK clearing bank is expected on Friday to report pre-tax profits of about £1.3bn ($2.02bn), compared with £1.03bn last year, raising earnings per share to about 62p, against 50.83p. But a fall in operating revenue is expected because of weak consumer demand. Lloyds wants to expand its share of financial services by buying Cheltenham & Gloucester Building Society for £1.8bn. C&G's results today will give a clearer idea of the premium to net asset value Lloyds will pay this autumn.

Companies in this issue

ARM in licensing pact with Digital Equipment

By Louise Kehoe

Advanced RISC Machines, the British microprocessor design group, has reached a technology licensing pact with the semiconductor division of Digital Equipment, one of the world's largest computer manufacturers.

The companies are jointly developing a range of "Strong-arm" microprocessors that combine Digital's high performance semiconductor technology with ARM's expertise in low power consumption chips. Digital will manufacture the chips at its new semiconductor plant in Hudson, Massachusetts.

For ARM, which has previously licensed its chip designs to several US and Asian semiconductor manufacturers, the new partnership represents an opportunity to create chips with "performance above that of most computer workstations in a device that can be powered by a standard torch battery," said Robin Saxby, ARM managing director and chief executive.

The combination of high performance and low power could be a breakthrough that propels ARM chips into emerging high volume markets, such as the next generation of personal digital assistants, interactive cable TV set-top boxes and video games, industry analysts said.

"This technology will enable very advanced portable devices with better handwriting recognition and perhaps voice recognition," said Mr Saxby.

The agreement broadens market opportunities for both companies. For Digital, which is struggling to return to profitability after heavy losses, the agreement could boost efforts to expand semiconductor sales. Digital has invested heavily in its new chip plant and needs high volume products to defray the costs.

Digital will be in full scale production of the Strong-arm chips in the first half of 1996, said Mr Ed Caldwell, general manager of Digital's semiconductor division.

The chips developed under the agreement will be sold by Digital and the technology will also be available for licensing to other semiconductor manufacturers, Mr Saxby said.

Prospective customers for the Strong-arm chip include Apple Computer, an investor in ARM that uses an ARM-designed microprocessor in its Newton personal digital assistant.

"Apple's Newton engineering team has been working closely with Digital semiconductor and ARM in defining the first Strong-arm microprocessor," said Shane Robinson, general manager of Apple's Personal Interactive Electronics side.

Rank chief may step down three years early

By David Wighton

The Rank Organisation yesterday declined to comment on reports that Mr Michael Gifford, its chief executive for the past 11 years, is to step down from the leisure group within months.

It is thought that Rank will announce at this month's annual meeting that Mr Gifford, 59, is planning to retire from the group three years early.

The move would come at an important time for Rank, which last month raised £620m from the sale of Rank Xerox.

The disposal, the terms of which disappointed the City, will reduce the debt Rank took on with the badly timed acquisition of Mecca in 1990.

Management changes, including the imminent arrival of Sir Denys Henderson, former head of ICI, as chairman, will increase expectations that Rank may step up its disposal programme.

Mr Gifford joined Rank in 1983 from Cadbury Schweppes where he was finance director. A tough and sometimes abrasive accountant, Mr Gifford was credited with turning the company around in the 1980s but has had a more mixed press from the City in recent years.

It is thought that Mr Gifford wants to leave before the official retirement age of 62 for personal reasons.

In November, Mr Gifford's basic salary was raised from £333,000 to £400,000.

Lowndes buys marine broker

By Ralph Atkins, Insurance Correspondent

Lowndes Lambert, the London-based insurance broker, is to acquire Godfrey Merritt Robertson, the marine "protection and indemnity" broker, for an initial cash consideration of £2m.

GMR is one of the largest brokers in the UK P and I market, by which shipowners have traditionally covered themselves against risks. Lowndes said the addition of GMR would strengthen the group's marine hull business.

Lowndes' marine division already has a significant book of P and I business. "With recent rises in P and I premium rates shipowners are increasingly turning to the specialist brokers," said Mr Richard Shaw, chairman of Lowndes Lambert.

Lowndes said that GMR, currently owned by its executive directors, was only established in December 1993 so meaningful profit figures are not available. The brokerage income of the company is estimated at £3m on an annualised basis.

The consideration is adjustable upwards if certain income and profit criteria are met, subject to an overall maximum of £10m. The additional amount will be satisfied by a mixture of loan notes and shares payable over the next seven years.

Three of GMR's executive directors, Mr Malcolm Godfrey, Ian Robertson and David Merritt, will join the board of Lowndes Lambert Marine.

The dilemma of what's in the basket

Philip Coggan unravels the mysteries of the programme trade

Imagine that your local supermarket manager calls early on Saturday morning. "There's a special offer down the store today, Mr Smith," he says. "I've got a trolley full of miscellaneous goods worth £50. Let me know by 9.30 what you're willing to bid for it."

That is roughly the dilemma faced by a marketmaker when asked to execute a programme, or portfolio, trade by a fund manager or insurance company. In the UK, it is estimated that roughly £20bn worth of programme trades take place each year; on some days they dominate market activity.

Under a programme trade, the marketmaker is offered a "basket" of at least 20 stocks without being given a precise breakdown of the companies within it. It is as if a consumer were asked to buy the contents of a shopping trolley without knowing whether they were baked beans or caviar.

Some information will be provided: for example, the breakdown by industry sector or the proportion of stocks that are components of the FT-SE 100. But within half an hour or so the marketmaker will be expected to quote a price for the basket. It can be a high-risk business.

Programme trading has had a controversial history, which is why the term portfolio trading is sometimes preferred today. At the time of the 1987 crash, programmes were blamed by many in the US for worsening the crisis. Criticism focused on a form of programme trading known as index arbitrage, where investors buy a basket of stocks and sell the index future (or vice versa) to take advantage of price differentials.

The fear was that, in volatile markets, computer-driven arbitrage trades could generate an escalating spiral of sales.

Nowadays, programme trades, particularly in the UK, are not normally concerned with index arbitrage but with asset allocation. A fund manager might, for example, have made a decision to move out of shares and into bonds, or vice versa; or a indexed manager might need to buy all the constituents of an index at a set time in order to set up a consistent basis for performance measurement.

The marketmaker may be asked to buy or sell a basket of stocks, or a combination of the two. Since such transactions can be substantial – a recent UK deal was reported to be worth about £850m – the marketmaker is obviously taking a substantial risk that share prices will move against it before it can sell (or buy) the relevant stock.

That risk means the marketmaker will buy the basket at a discount, or sell shares at a premium, depending on the customer's needs. Even so, the deal should work out cheaper for the fund manager than carrying out a long series of individual trades.

According to Mr Girish Reddy, executive director of the equities division at Goldman Sachs in London, "when a marketmaker is asked to bid on a diversified portfolio, the risk will be a lot lower and the cost cheaper than having to price a series of individual stocks. And if the portfolio is closely correlated with the market, I can hedge the exposure via futures and options."

Fund managers who fight shy of the cost of a programme trade with a marketmaker might choose instead to do the deal on an agency basis, with the securities house acting as a broker. The securities house would then simply take a commission which, on a large deal, would be a fraction of 1 per cent.

However, an agency deal will take a few days to work its way through the market. That leaves the fund manager exposed to the risk of a general market rise or fall, or to changes in individual stock prices caused by the scale of his trades.

In the end, the cost of an agency deal, once price movements are accounted for, could work out higher than the alternative of letting the marketmaker assume the risk.

If the marketmaker does accept the trade as a principal, it may have to work fast. Stock Exchange rules allow only 90 minutes before details of the initial trade are available on screen, and then only when the trades are three times normal market size. Even that delay was recently called into question by a London School of Economics study sponsored by the Stock Exchange.

In certain circumstances, programme trades can be "protected", meaning that the marketmaker does not have to reveal the details until the end of the day. However, Mr Reddy says the rules in the UK, unlike in the US, make life more difficult for the marketmaker. One problem is the "whole notion of having to print the trade. As soon as you do so, it's akin to the whole market knowing your book." That knowledge in the hands of other traders may drive prices against the marketmaker.

Given the competition for programme trades, some marketmakers feel that the risk of doing deals is not fully reflected in the returns they receive. But as programme trading is a service demanded by many clients, marketmakers will continue to provide it.

There seems little doubt that the use of programme trading, which started in the US, is growing steadily in London and the rest of the world. One reason is the structure of the industry.

"When you get managers handling many accounts, if they do change their views on allocation they want to get the same price at the same time for all the clients," says Mr George Gray, head of the international portfolio trading unit at UBS in London. "A programme trade allows them to do that efficiently and treat clients equally."

Another cause may simply be acceptance of the technique as the stigma of the 1987 crash fades.

"As fund managers are becoming more familiar with the uses of portfolio trading they are applying the same techniques internationally," says Mr Jack Tracy, executive director of Morgan Stanley International. "New funds are starting to use portfolio trades."

NEWS DIGEST

Inoco falls sharply to £853,000

Despite a sharp increase from £259,000 to £1.33m on the sale of investment properties, Inoco, the USM-quoted property group, suffered a fall in pre-tax profits to £853,000 in 1994, against £2.51m.

Inoco said losses from marketable securities – the group began trading last January – detracted from good results elsewhere. Trading however, improved towards the end of the year.

Net rental income was little changed at £9.78m (£9.97m), but earnings dipped from 1.19p to 0.41p. No dividends have been paid since 1989.

Vaux trading mixed

Sir Paul Nicholson, chairman of Vaux Group, said that the highest level of business confidence for five years was helping trading at its Swallow Hotels chain.

Speaking at the Sunderland-based group's annual meeting, Sir Paul said that sales at Swallow were up 11 per cent in the first 16 weeks of the current year, with occupancies up 8.4 per cent to 62.1 per cent and profits ahead 30 per cent year-on-year.

The brewing and pub side, however, experienced "mixed fortunes". Following a "very poor" January, overall total beer sales fell some 3 per cent on last year. "We are concerned about current trading," Sir Paul added.

● In contrast, Eldridge Pope, the Dorset-based pub operator and brewer, said its brewery was busier than in recent years reflecting wider distribution of its cask ales.

Mr Christopher Pope, chairman, told the AGM that current performance was in line with budget and ahead of last year. Wine sales were up at twice the national average, while food sales were ahead of competitors.

UK Waste buys

In its fourth acquisition since December, UK Waste, a subsidiary of Wessex Waste Management, the joint venture between Waste Management International and Wessex Water, has acquired Clarfield Waste Paper in a deal valued at between £2m and £2.5m.

Clarfield, which recycles paper and board, has a customer base across the UK and continental Europe.

Mr Mike Wynne, UK Waste's managing director, said: "This acquisition will allow us to strengthen this field of activity [waste minimisation and recycling advice] and offer waste producers an integrated solution to their needs."

Shorco deal

Shorco Group Holdings, the plant hire company, is to acquire Lydney Containers Holdings for up to £1.7m, partly funded by a 1-for-3 rights issue at 90p per share.

Qualifying shareholders will be offered up to 1.56m new shares to raise £1.4m net of expenses, of which £1m will be paid to the vendors and the balance used to meet expenses and as working capital.

The vendors will also be entitled to loan notes of up to £700,000, depending on Lydney's profits for the next two years. Lydney made pre-tax profits of £302,000 for the year to March 31 on turnover of £3.09m. Net assets stood at £476,000.

Carr's merger off

Carr's Milling Industries, the agribusiness, flour milling and baking group, has terminated discussions with NWF of Cheshire regarding its proposed merger offer.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Axa (France)	National Mutual (Australia)	Insurance	£538m	Big Asia-Pacific move
Dalgety (UK)	Unit of Quaker Co (US)	Pet Food	£422m	Buying European ops
ING (Netherlands)	Wellington Insurance (Canada)	Insurance	£65m	Further sector change
Marmon Group (US)	Units of Charter (UK)	Mining equipment	£29.4m	Non-core disposals
Arco (US)	St James Oil & Gas (UK/Austria)	Oil & gas	£22m	Clyde/OMV sell JV
Inchcape (UK)	Units of Timberland (US)	Clothing & footwear	£15m	Part of wider agreement
Charles Church (UK)/ Centex Homes (US)	JV	Housebuilding	£10m	Centex gains UK foothold
Bowthorpe (UK)	Metrosonics (US)	Measuring instruments	£9.8m	Profit-related element
Chamberlain Phipps (UK)	Knapp (US)	Footwear	£5.7m	First buy since refloat
Cox Communications (US)	European Channel Management (UK)	Broadcasting	£5m	Joining BBC/ Pearson venture

صكذا من الاهل

INTERNATIONAL COMPANIES AND FINANCE

UBS admits doubts over legality of share actions

By Ian Rodger in Zurich

Union Bank of Switzerland has acknowledged uncertainty over the legality of some of its actions during the run-up to a controversial shareholders' meeting last November.

However, Mr Nikolaus Senn, the bank's chairman, denied in an interview in a Swiss newspaper last Saturday that the bank had consciously done anything illegal. And he rejected a call from Mr Martin Ebner, chairman of BK Vision, for action to be taken at UBS over the conduct of the proxy battle.

Meanwhile, BK Vision, an investment company that is UBS's largest shareholder, challenged claims that it was losing investors' confidence over launching a one-for-10 rights issue to raise SFr150m ($115m).

The latest bitter exchange of charges between UBS directors and BK Vision suggests that the two sides are even wider apart than before over how their dispute over the bank's governance could be resolved.

Mr Ebner said last week the bank should immediately withdraw its controversial scheme for converting its registered shares into bearer shares, following a district court judge's decision that many of the

Nikolaus Senn: denied any conscious illegality

shares represented at the November shareholders' meeting were voted illegally. He suggested that some UBS directors should take "personal responsibility" for improper management.

Mr Senn retorted in the newspaper interview that the district judge had no jurisdiction nor sufficient evidence to rule on the legality of these issues. And Mr Ebner was certainly not "the judge with the guillotine" to apply to UBS directors' heads.

However, he admitted that it was legally debatable whether share voting rights could be separated from ownership in the case of a forward sales contract.

During the proxy battle, UBS bought a large block of registered shares for delivery next June. The vendor has confirmed that he voted the shares at the shareholders' meeting.

UBS said yesterday that this was one of a number of untested legal issues following the introduction of a new Swiss companies law two years ago. They would be clarified as a result of BK Vision's challenge in the commercial court.

Asked why it chose to test the law in these controversial circumstances, it said it had consulted with a large number of experts. "We are sure we are right, but you never know what will come out of a court." it said.

Mr Senn also complained that UBS was being closely scrutinised over its use of proxies, but that no-one seemed to ask how Mr Ebner had marshalled votes against the board's motion.

Mr Ebner said he cast very few votes other than those on shares held by his BZ group companies. The clients of his brokerage firm, BZ Bank, were mostly large institutions, and they voted their own shares, he said.

● BK Vision's quoted bearer shares have lost a quarter of their value since the row with the UBS board began last September.

Alusuisse more than doubles net income

By Ian Rodger

Alusuisse-Lonza, the packaging, aluminium and fine chemicals group, said its net income more than doubled last year to slightly more than SFr200m ($154m), on sales up 21 per cent to SFr7.5bn.

The result was slightly ahead of forecasts made at the interim stage, and the directors said in a preliminary statement they expected further profit growth in the current year.

In light of the "very pleasing result", the directors said they would recommend a partial restoration of the dividends, from 10 per cent to 12 per cent in respect of 1994.

Alusuisse attributed the jump in net income from SFr88m in 1993 in part to completion of the restructuring it has been carrying out over the past five years to reduce its dependence on aluminium and chemical commodities.

Other factors were an improved operating performance and the integration of the Canadian Lawson Mardon packaging group, acquired early last year for SFr1.1bn.

Details of the 1994 results will be disclosed on February 27.

KHD faces insider dealing probe

By Andrew Fisher in Frankfurt

Share trading in Klöckner-Humboldt-Deutz, the German engineering company, is to be investigated to see if insider dealing occured before a costly refinancing package was announced a week ago.

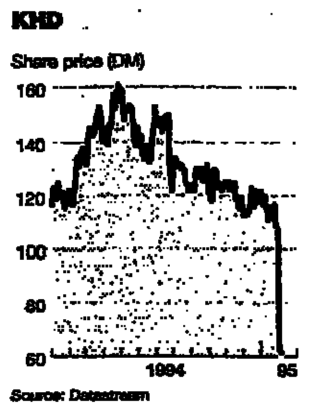
The Federal Supervisory Office for Securities Trading, which started operations in Frankfurt last month, will look into whether the slide in the share price ahead of the company's announcement was caused by insider activity.

Under the new financial markets promotion law, insider dealing is now illegal in Germany. If the KHD share trading records show evidence of insider share trading, this will be Germany's first such case.

Mr Georg Dreyling, deputy head of the regulatory body, said it was looking to see "if, how and when" any insider trading activities took place in KHD's shares. The company said it had been approached by the agency and would co-operate fully.

KHD's shares were suspended on Friday, January 27, ahead of last Monday's meeting with banks and the announcement that afternoon of the financial restructuring details.

After closing on the previous Thursday at DM121, they slid to DM81 on the Friday, having still been traded for 45 minutes on the Ibis electronic trading



Source: Datastream

network before the shares were suspended. Initially, the Düsseldorf exchange suspended the shares of the Kaufhof retail group by mistake.

The supervisory body had freed the company from the need – under the new law's provisions on market-moving news – to publicise immediately its refinancing proposals. It allowed KHD to wait from Thursday, when its supervisory board met, until last Monday, when it met with the banks.

However, Capital, the business magazine, published a report on impending measures at KHD before the share suspension. A newspaper in Cologne, where KHD is based, also had a report. Mr Dreyling said the agency would have to establish whether the fall in shares was due to these reports, or to insider trading.

Employers Re may take AMB subsidiary

By Ralph Atkins, Insurance Correspondent

Employers Re, the US reinsurer, has reached an outline agreement on the possible purchase of most of the business of Aachen Re, the reinsurance group largely owned by Aachener und Münchener Beteiligungs (AMB), the large German insurance group.

Few details of the agreement have been released, but the move would mark a further consolidation of the international reinsurance sector.

Aachen Re's earnings reached DM110m ($73.3m) in 1993, and the insurer is expected to report a premium income of more than DM1bn for 1994.

The deal follows the announcement last year that General Re, the largest US reinsurance company, was taking majority control of Germany's Cologne Re. That deal created the world's third biggest reinsurance grouping in a complex deal estimated to be worth DM2bn.

Under the terms of the latest agreement, Aachen Re will initially form a new wholly-owned subsidiary which will take on most of Aachen Re's reinsurance business. The new subsidiary will then be bought by Employers Re, the world's fourth largest reinsurance company, for an as yet undisclosed sum.

Talks between AMB, Aachen Re and Employers Re are understood to be continuing, and analysts say the final terms will not be known until March. Aachen Re is ranked 19th in the world reinsurance sector, according to Standard & Poor's, the rating service, in terms of net premiums written.

Its shares are 80 per cent-owned by AMB.

The trend towards consolidation in the international reinsurance sector reflects the increased size of many risks and the growth of many of the world's insurance companies, which provide much of the business for reinsurers.

GE Capital acquires rest of HK group

By Louise Lucas in Hong Kong

General Electric Capital Corporation (GE Capital), a wholly-owned subsidiary of General Electric of the US, is paying Jardine Matheson, the Hong Kong conglomerate, US$140m for the 50 per cent stake it does not already own in United Merchants Finance (UMF). UMF, a Hong Kong company, provides instalment credit services.

The deal, which is subject to regulatory approval, will give GE Capital a springboard for expansion in Hong Kong and southern China.

Jardine International Motor Holdings, Jardine Matheson's car distribution arm and the only part of the group which will remain listed on the Hong Kong stock exchange after March, will net about $43.8m from its sale of 16 per cent of UMF.

Profit from the remaining 34 per cent, held directly by the Singapore-listed Jardine Matheson and sold to GE Capital for $95.2m, is not being disclosed.

Jardine will use the proceeds to launch its own regional financial services business in tandem with merchant banking affiliate Jardine Fleming, the 50:50 joint venture with Robert Fleming.

Like UMF, Jardine's new operation will initially concentrate on Hong Kong – where it will have its headquarters – and southern China. Ultimately, it will provide instalment finance, motor vehicle, equipment, property and personal loan services throughout Asia.

Jardine believes the size of the potential market, allied with Jardine Fleming's expertise, will enable it to develop the business in spite of competition from its former partner.

Dole Food profit hit by weak banana market

By Maggie Urry in New York

Over-supply in the world banana market hit fourth-quarter profits at Dole Food, the US fruit and vegetable, real estate and resort group. Fourth-quarter net income was $1.2m, or 2 cents a share, down from $7.6m, or 13 cents, in the comparable period before non-recurring items.

Dole said the main cause of the fall was weakness in the Pacific Rim banana market.

However, banana results for the full year had improved over 1993.

The group reported 1994 net income of $67.9m, down from $80.9m excluding one-time charges in 1993. Earnings per share were $1.14 compared with $1.35.

Although bananas were a problem in the fourth quarter, Dole achieved improved results for fresh vegetables and processed pineapples in the last term.

Market conditions for lettuce and celery, which had been poor for the first three quarters of the year, were better in the fourth.

The housebuilding division recorded flat profits in the quarter, with operating income at $21.2m against $21.9m.

Losses from the resorts in Hawaii were cut to $4.9m from $6.7m, as occupancy rates rose.

Profits were also hit by higher interest charges, up to $19.9m from $13.8m in the review period, and $77m compared with $59.2m for the year.

Dole has agreed to sell its juice business to Seagram for $285m. It expects to complete the sale during the first quarter of 1995.

Heineken buys Italian brewer from Interbrew

By Ronald van de Krol in Amsterdam

Heineken, the Dutch beer group, is to buy Interbrew Italia, a subsidiary of Belgian brewer Interbrew, raising its share of the Italian beer market to 30 per cent from 25 per cent.

Interbrew Italia, based in Bergamo in northern Italy, produces 700,000 hectolitres of beer a year, divided between the brands Stella Artois and Classica von Wunster. It is to be fully absorbed by Heineken Italia, whose five breweries in Italy produce 3.5m hectolitres of beer.

No financial details of the deal, expected to be completed in the first quarter, were disclosed. Besides the additional beer production, Heineken is interested in acquiring Interbrew's Italian subsidiary because of its distribution network in the north of the country.

Interbrew will license Heineken to continue Stella Artois, while the Dutch brewer will own the Classica von Wunster brand outright.

● The battle for control of Credito Romagnolo (Rolo), the Bolognese bank, has ended with victory for Credito Italiano (Credit), the former state-controlled bank based in Milan, writes Andrew Hill in Milan.

Credit's L3,770bn ($2.3bn) offer closed on Friday night, but it was clear by then that the bank had won acceptances from Rolo shareholders for more than the 78.36 per cent stake it sought. The bid battle has prompted a wave of speculation on other banking stocks during the last week.

The rival consortium led by Cariplo, the unquoted Milan savings bank, had in effect withdrawn its own lower counterbid earlier in the week, once Credit's L22,000-a-share offer had been accepted by shareholders with more than 50 per cent of Rolo's shares.

The Bolognese bank fought hard for more than three months for an alternative to the Credit offer.

FINANCIAL TIMES
MARKETS
THIS WEEK

Global Investor / Bronwen Maddox

An excessive taste for consumption

While German shops stay closed on Saturday afternoons, the current fashion for buying shares in European consumer companies is questionable. There are good short term reasons why these sectors are performing well. But the long term performance depends partly on a more profound liberalisation of European markets than has yet occurred.

Last week's interest rate rises in the UK and US have dampened some enthusiasm for consumer stocks, particularly those reliant on international demand for branded goods. The question is whether the attempts to check consumer spending in those countries have restored the attractions of manufacturing stocks.

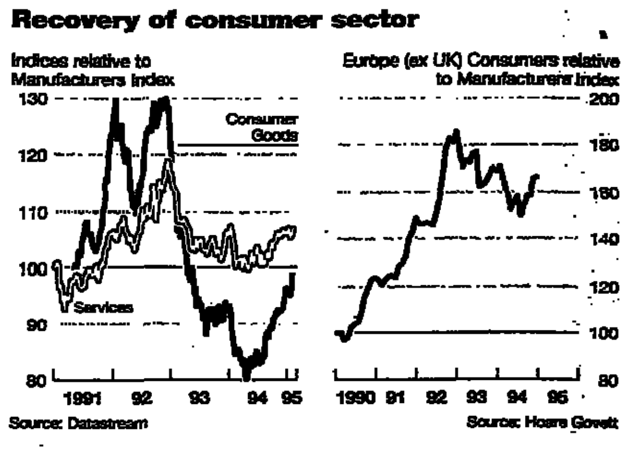
Until recent weeks, stock markets' views on the relative merits of consumer and manufacturing sectors were clear, particularly in Europe. Since the middle of last year, there has been a strong swing on European markets back towards consumer stocks. The two-year bull run of manufacturing stocks, as economies moved out of recession and earnings rose, appeared to have ended decisively. In the second half of last year, the consumer goods sector in continental Europe outperformed the general manufacturing sector by more than 10 per cent.

Brokers, notably Hoare Govett in London, have been recommending, albeit cautiously, that investors stay with the "defensive" consumer stocks. They favour continental European stocks, and within the UK, those with exposure to the Continent.

But their caution is justified. For the weighting in favour of consumer stocks to make sense in the longer term, a revolution needs to take place in European markets. At present, product market barriers are restraining growth in the consumer and services sectors of Europe.

In November, the McKinsey Global Institute, the research arm of the international consultancy, concluded that "product market restrictions were as important, if not more important, than work force rigidity in explaining why job creation in Europe was below the US, especially in high growth service industries".*

Recovery of consumer sector



Source: Datastream
Source: Hoare Govett

As McKinsey noted, layers of restrictions inhibit the development of many sectors. The construction industry is particularly burdened with rules on land use, building quality, safety, rent and taxes. Retailing suffers from opening hour restrictions, of which the German Ladenschlussgesetz (shop closing hours law) is perhaps the best known, as well as rules on the use of part-time labour.

The constraints on emerging sectors of the economy was also particularly noticeable in Germany, McKinsey noted. The television, radio and film industries suffer from delays in licensing cable and new broadcast frequencies, and limits on advertising which reduce national ability to fund new programmes, not to mention the creeping pace of telecommunications liberalisation.

If such liberalisation took place, McKinsey and other similar studies suggest, not only would employment levels rise, but continental Europe could witness the kind of consumer sector growth which the UK saw in the 1980s. According to Mr Mark Brown, head of strategy and economics at Hoare Govett, "They really never had the consumer boom which the UK had."

But progress so far has undeniably been slow. Telecoms liberalisation has scarcely progressed, and the French government is currently urging the Europe-wide adoption of new quotas on programmes and films based on their nationality. Despite widespread agreement that a relaxation of German shop laws would benefit the economy at the macro and micro level, liberalisation remains vehemently opposed by unions and the leading retailing association.

Total return in local currency to 2/2/95

	% change over period					
	US	Japan	Germany	France	Italy	UK
Cash						
Week	0.11	0.04	0.09	0.10	0.16	0.11
Month	0.49	0.19	0.43	0.48	0.71	0.51
Year	3.75	2.13	5.25	5.67	7.88	5.19
Bonds 3-5 year						
Week	0.32	-0.11	0.23	0.16	0.26	0.53
Month	1.54	0.30	1.49	1.65	1.10	1.31
Year	-2.22	0.95	0.60	-0.99	0.25	-0.86
Bonds 7-10 year						
Week	0.57	-0.14	0.03	0.15	0.05	0.69
Month	1.97	-0.33	1.94	2.25	1.08	1.97
Year	-5.25	-1.12	-3.89	-7.27	-8.55	-5.66
Equities						
Week	1.1	3.2	0.6	-0.1	0.9	0.9
Month	3.5	-6.8	-2.4	-2.9	6.7	-0.8
Year	1.7	-10.0	-7.8	-20.2	1.9	-10.9

Source: Cash & Bonds – Lehman Brothers. Equities-© NatWest Securities.
The FT-Actuaries World Indices are jointly owned by The Financial Times Limited, Goldman Sachs & Co., and NatWest Securities Limited.

In the UK, the virtues of adhering to a defensive strategy of holding consumer stocks are clearer, despite the interest rate rises.

Mr Michael Hughes, global strategist at BZW, the securities house, points out that predicting the impact of the rises on consumer behaviour is difficult. That is partly because recent rises, together with a lowering of inflationary expectations, appear to be changing people's view of housing. "They are more prone to save in financial assets, and less likely to look at houses as a pseudo pension scheme, and that change will affect all kinds of spending and saving behaviour," he says.

That uncertainty notwithstanding, he argues that the increase in real earnings has been underestimated, and that earnings from consumer stocks are likely to beat expectations.

Moreover, it seems increasingly likely that the market's expectations for UK manufacturing earnings may be too high, given the persistently low levels of industrial investment.

In addition, given the financial strength of the consumer sector compared with manufacturing, consumer shares will be helped by the growing desire of investors for dividends. Not only are interest rates still low by historic standards, but pension funds are maturing.

True, the recovery of UK consumer stocks in the past six months has chipped away at some of the case for buying them. But manufacturing shares hardly look cheap.

Since the UK's exit from the European exchange rate mechanism, manufacturing shares have reclaimed all their previous underperformance against the consumer sector, and most of that against services. At this point in the cycle, the attractions of the consumer sector seem the more convincing.

**Employment Performance: McKinsey Global Institute Washington DC, USA.*

COMMODITIES Frances Williams

Third time lucky for accord?

Natural rubber producers and consumers meet in Geneva today and the rest of this week in a third attempt to negotiate a new price stabilising pact.

The existing accord, already renewed twice, expires at the end of this year and cannot be renewed again.

Talks between delegates from more than 30 countries will centre on the demand by exporters for a 5 per cent increase in the reference price, currently 196.84 Malaysian/Singapore cents per kilo.

The reference price is the pivot for the range outside which rubber can be bought or sold by the buffer stock manager to bring market prices back in line.

Exporters argue that a price rise is justified by record rubber prices, which peaked in January at just over 360 Malaysian/Singapore cents per kilo.

Prices had begun rising in July when Chinese demand and falls in supply coincided with higher western tyre consumption.

Intervention on the market is no longer possible because the buffer stock of 220,000 tonnes was sold by the end of September 1994.

Under the 1987 International Natural Rubber Agreement, the reference price will automatically be raised 5 per cent next July if market prices stay at present levels.

At the last negotiating session in October, importers were reluctant to countenance a price increase in the new agreement, arguing that high prices were due to special factors, including speculation, which would not persist in the longer term.

They argue that a periodical 15-month reference price review is required in July and this would bring an automatic 5 per cent mark-up to reference prices under Inra rules if prices stayed high.

"Producers may get their 5 per cent in July anyway and consumers cannot agree to 5 per cent now and risk another 5 per cent rise in July," said a European government delegate.

Economics Notebook

Emerging problems

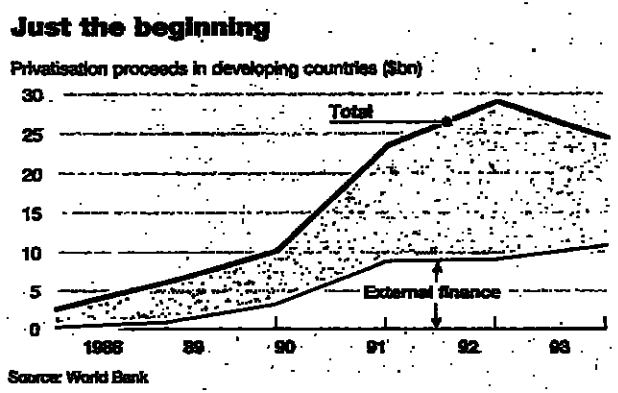
Nowadays, few doubt that privatisation can do much to foster market-led economic development in poor countries. Small wonder, then, that in the wake of the Mexican crisis, investors partly judge the chances that another disaster will strike by the scale and speed of governments' sell-off programmes. But recent events, even in the UK, give grounds for caution.

In the days following the Mexican devaluation, President Ernesto Zedillo was pressured by outside investors to include more rapid privatisation in his new economic programme. In similar fashion, a recent string of privatisation policy reversals in Hungary have stoked fears that it will be the next emerging market to hit the rails.

In both countries, investors' concerns stem partly from the government's clear need for foreign capital. But privatisation's vaunted status in successful market reforms worldwide has also made it a more general test of a government's continued commitment.

In the period 1988 to 1993 alone, the World Bank calculates that privatisation raised $270bn worldwide. As the chart shows, developing countries received a large chunk of these revenues. State sell-offs in Latin America, Asia and elsewhere raised a total of $96bn during the period, more than a third of it coming from foreign investors.

Just the beginning



Source: World Bank

Although early evidence of the benefits of privatisation came from the UK, the gain in countries with highly underdeveloped private sectors can obviously be much larger. This is because, in addition to much greater efficiency in the sectors concerned, successful privatisation can deliver two benefits which are of particular value in such economies. One is additional government resources, not merely from sale proceeds but reduced expenditure on state subsidies. Last, and most important, is a benefit that accrues to the economy as a whole, especially in former centrally planned economies: broader application and acceptance of market mechanisms rather than state controls.

At least in the old Soviet bloc, privatisation will be a necessary part of achieving greater economic efficiency, sound government finances and a thriving commitment to a market economy. It will also, necessarily, be messy and imperfect. But experience shows the importance of ensuring not merely that greater competition and efficiency results, but that the gains are distributed openly and fairly.

In the UK, privatisation raised efficiency in the sectors concerned, although not always competition. The government sacrificed some potential revenues in the interests of wider public participation. Yet even wide share-ownership, and elaborate regulation, has not entirely offset public dismay at the inequitable distribution of the rewards.

The recent uproar at the size of top-executives' salaries in the privatised utility companies shows that, even where the government has sophisticated methods to ensure privatisation succeeds, the feeling that a select group of insiders has reaped a disproportionate share of the benefits can do much to tarnish the policy's success.

In the UK, this is unlikely to translate into a full-scale rebellion against the market system. Among newer converts, however, the stakes are somewhat larger. As noted above, their lack of development means that they stand to gain far more from privatisation than countries like the UK. But it also means that they have less ability to avoid the pitfalls.

In Mexico, privatisation has raised profitability and investment in various sectors. Yet regulation of monopolies, at least in the case of Telmex, the state telephone company, has promoted expansion of the previously state-run concern, not new competitors.

The Mexican sell-off programme has also raised considerable funds for the government – proceeds came to 6.3 per cent of GDP over the years 1989 to 1992 alone – much of it from external sources. But the equally dramatic creation of private wealth has been less popular. In the case of Telmex, for example, the man who has controlled the company since it was sold, Mr Carlos Slim Helú, is now the richest man in Mexico, with net (pre-devaluation) assets of about $6.6bn.

East European and former Soviet Union governments are even more poorly-equipped to ensure that privatisation creates not merely a larger private sector, but a competitive and popular one. As a recent report from the Adam Smith Institute points out*, privatisation in these countries rarely comes with consistent efforts to ensure that it brings greater efficiency and competition. This, coupled with a lack of a transparency in the privatisation process itself, breeds discontent at the newly-acquired, often vast, profits of company "insiders".

In both Hungary and Mexico, where foreign investors have been heavily involved in privatisation, these popular concerns can easily translate into general resentment of foreigners. Mr Gyula Horn, the Hungarian prime minister, appears willing to exploit this at the expense of further reforms. Yet experience suggests that both foreign investors, and wary citizens, ought to judge these governments' plans from a broader perspective.

What destabilises these countries, and keeps them poor, is a system that undermines a market economy rather than promoting it. Ownership, be it public or private, foreign or domestic, is neither the source of the problem nor, by itself at least, the solution.

Stephanie Flanders

**"The Amnesia of Reform", Peter Young & Paul Reynolds. December 1994.*

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY FEBRUARY 3 1995								THURSDAY FEBRUARY 2 1995					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	%chg since 30/12/94	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 30/12/94	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (68)	161.80	-5.7	153.28	101.94	128.28	142.95	-2.9	4.04	163.75	153.44	103.06	129.40	143.59	189.15	161.21	188.15
Austria (18)	169.21	-7.4	160.30	106.61	134.15	134.36	-8.7	1.21	172.30	161.44	108.43	136.15	136.01	198.89	167.46	192.38
Belgium (35)	168.63	0.1	159.78	106.25	133.69	130.86	-1.2	4.23	168.62	157.99	106.12	133.25	130.23	177.04	161.53	167.37
Brazil (28)	148.24	-9.2	140.43	93.40	117.83	229.06	-10.0	1.14	148.90	137.84	92.45	116.08	226.46	-	-	-
Canada (103)	126.47	-2.3	119.81	79.68	100.26	128.43	-2.3	2.70	124.68	116.83	78.47	98.53	126.88	142.56	120.54	142.56
Denmark (33)	256.21	1.8	242.72	161.42	203.13	209.60	0.8	1.42	257.90	241.65	162.31	203.80	210.28	275.27	236.61	273.81
Finland (24)	188.94	1.6	179.00	119.04	149.80	187.30	1.3	0.74	185.40	173.72	116.68	148.61	183.20	201.41	133.88	155.74
France (102)	161.62	-1.2	153.11	101.83	128.14	134.26	-1.9	3.20	160.40	150.29	100.94	126.75	132.56	183.54	157.79	183.54
Germany (58)	141.06	-0.4	133.64	88.88	111.84	111.84	-2.0	1.88	140.78	131.92	88.60	111.25	111.25	150.40	128.37	135.03
Hong Kong (56)	299.77	-8.1	284.00	188.88	237.68	297.62	-8.1	4.20	293.20	274.73	184.52	231.70	291.07	493.01	277.40	482.63
Ireland (16)	210.11	1.9	199.06	132.39	166.59	191.22	1.6	3.33	209.89	196.67	132.09	165.87	189.13	216.60	177.56	205.05
Italy (58)	81.20	8.3	76.93	51.16	64.38	97.84	7.7	1.59	80.67	75.59	50.77	63.75	98.76	97.78	67.25	75.72
Japan (464)	145.66	-7.2	137.99	91.77	115.48	91.77	-7.3	0.83	146.40	137.18	92.14	115.70	92.14	170.10	139.45	149.78
Malaysia (97)	447.51	-6.7	423.96	281.98	354.80	440.10	-6.7	1.92	419.47	393.05	263.99	331.49	412.61	594.78	398.16	521.72
Mexico (18)	1092.48	-22.9	1034.98	688.33	866.15	6479.97	-15.0	1.58	1061.78	994.88	668.21	839.04	6379.10	2647.06	964.79	2569.30
Netherland (19)	219.80	1.0	208.23	138.49	174.27	171.50	-0.5	3.37	218.81	205.02	137.70	172.91	170.32	223.30	191.28	206.98
New Zealand (14)	73.68	4.6	69.80	46.42	58.42	61.44	5.1	4.76	73.77	69.12	46.42	58.29	61.13	77.59	62.05	77.59
Norway (23)	214.57	0.7	203.28	135.19	170.12	194.58	-0.6	1.78	215.09	201.54	135.38	169.97	134.35	216.03	177.53	203.68
Singapore (44)	347.66	-6.8	329.37	219.05	275.64	233.59	-6.8	1.84	348.08	326.13	219.06	275.05	232.97	401.38	294.68	357.97
South Africa (60)	303.74	-9.8	287.75	191.37	240.81	269.53	-10.1	2.47	297.82	279.06	187.43	235.35	264.28	342.00	205.55	260.37
Spain (38)	132.48	0.4	125.51	83.47	105.04	133.07	1.1	4.27	131.42	123.14	82.71	103.85	131.36	154.81	124.87	153.92
Sweden (48)	240.32	3.0	227.68	151.42	190.54	266.06	3.6	1.53	239.83	224.72	150.93	189.53	264.26	242.81	198.70	228.52
Switzerland (47)	164.81	-0.2	156.14	103.84	130.67	131.82	-1.6	1.85	163.68	153.36	103.01	129.34	130.44	176.56	149.91	175.67
Thailand (46)	145.70	-7.9	138.03	91.80	115.52	141.71	-8.0	2.85	139.47	130.68	87.77	110.21	135.67	-	-	-
United Kingdom (205)	193.98	-0.4	183.77	122.22	153.80	183.77	-0.5	4.21	194.68	182.40	122.51	153.83	182.40	213.88	181.11	213.88
USA (513)	196.19	4.5	185.86	123.61	155.54	196.19	4.5	2.85	193.74	181.54	121.93	153.10	193.74	196.19	178.95	195.56
Americas (662)	180.51	3.6	171.01	113.73	143.11	161.28	3.7	2.81	178.23	167.00	112.16	140.84	149.40	-	-	-
Europe (722)	169.24	0.2	160.33	106.63	134.18	149.93	-0.5	3.11	168.95	158.30	106.32	133.51	148.70	177.70	160.59	177.70
Nordic (128)	231.21	3.0	219.04	145.67	183.31	216.84	3.0	1.40	230.60	216.07	145.12	182.23	215.38	233.91	197.70	220.07
Pacific Basin (809)	152.65	-7.1	144.62	96.18	121.03	100.32	-7.0	1.21	152.91	143.28	96.23	120.84	100.35	176.80	145.93	162.97
Euro-Pacific (1531)	159.47	-4.0	151.08	100.47	126.43	119.56	-4.3	2.05	159.50	149.45	100.38	126.04	119.15	175.14	154.73	168.94
North America (616)	191.87	4.2	181.77	120.89	152.12	191.59	4.2	2.85	188.47	177.53	119.24	149.72	189.20	192.26	175.67	192.26
Europe Ex. UK (517)	152.13	0.5	144.13	95.85	120.62	129.82	-0.5	2.48	151.42	141.87	95.29	119.85	128.70	158.12	144.12	154.98
Pacific Ex. Japan (325)	222.74	-6.5	211.02	140.34	176.60	198.61	-5.7	3.40	218.82	205.04	137.71	172.92	192.60	291.75	211.18	289.34
World Ex. US (1739)	160.13	-4.3	151.70	100.89	126.95	122.76	-4.5	2.07	160.00	149.92	100.69	126.43	122.35	176.65	155.42	170.83
World Ex. UK (2047)	168.66	-1.5	159.78	106.27	133.72	140.86	-1.5	2.16	167.65	157.09	105.51	132.48	139.85	178.59	163.46	174.59
World Ex. Japan (1788)	186.02	1.3	176.23	117.20	147.48	175.81	1.2	2.96	184.33	172.71	116.00	145.66	174.77	194.73	176.34	194.73
The World Index (2252)	170.89	-1.3	161.90	107.67	135.49	144.72	-1.4	2.35	170.03	159.31	107.00	134.36	143.68	180.80	165.92	178.02

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.85 (US $ Index), 114.45 (Pound Sterling) and 133.32 (Local); Brazil, Thailand and Americas: Oct 31, 1994 = 160.44 (US $ Index), 164.07 (Pound Sterling) and 149.94 (Local). Constituent changes during the week ending 3/2/95: Deletion: Magneti Marelli (Italy). Name changes: Ashland Oil to Ashland Inc. (USA) and Gilardini to Magneti Marelli (Italy). Please note: Portland Group (UK) was not deleted 31/1/95 as previously announced.

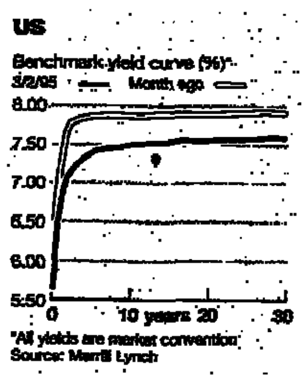
هكذا من الاصل

WORLD BOND MARKETS: This Week

NEW YORK
Richard Waters

The sharp drop in yields following last Friday's stampede into bonds has set the stage for a successful $40bn quarterly refunding operation this week. Fresh data on the state of the economy, in the form of the January producer price index, follows on Friday.

The refunding starts on Tuesday, with an auction of $17bn of three-year notes. A $12bn, 10-year note auction follows on Wednesday, with $11bn of 30-year bonds on Thursday.



Friday's figures will almost certainly show a marked pick-up in inflation in producer prices from their restrained recent level (for the whole of 1994, prices rose 1.6 per cent, with a 0.2 per cent increase in December.) The January rise is generally expected to have been around 0.4 per cent.

This need not unnerve bond markets. Each January of the 1990s so far has seen a marked rise in the index, as manufacturers and retailers strive to push through new-year price increases. Each year, those rises have petered out in the following months.

There could be continued signs of pressure in intermediate goods prices, however, hinting at higher prices for finished goods in the months ahead. Last week's NAPM survey for January contained a pointed warning for the second successive month about the sharply higher prices purchasing managers are experiencing.

LONDON
Graham Bowley

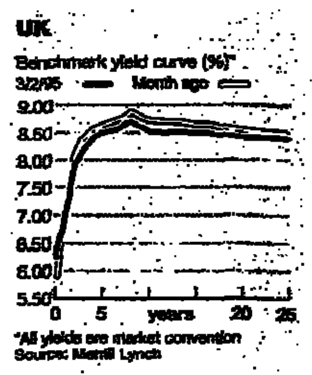
Industrial production data and the Bank of England's inflation report will provide tests for gilts this week, after last week's rise in interest rates.

There was a 1 per cent drop in industrial output in November, but Mr John Shepperd, chief economist at Yamaichi, thinks this week's figures, due tomorrow, could show a bounce in December. Consensus forecast is for a rise of 0.6 per cent.

"The figures could cause some concern, as it tells us about the extent to which the UK economy is slowing or not," he said.

But perhaps the week's highlight will be the quarterly inflation report on Wednesday. It will give the market an impression of the Bank's judgment on the pace of growth, inflationary pressures and the direction in which it sees inflation going, Mr Shepperd said.

Mr Robert Thomas, bond and currency strategist at NatWest Markets, thinks this week's



focus could be political after the market's poor showing on Friday. This was linked to the UK government's weakening position, mainly over Ulster.

"If sterling is undermined by these political factors then this could unsettle overseas investors," said Mr Thomas.

Mr Shepperd agreed: "Sterling assets, including gilts, are now becoming politically questionable, and this could affect markets [this week]," he said.

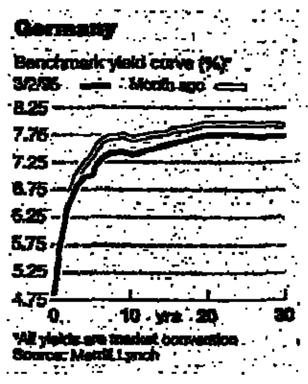
FRANKFURT
Andrew Fisher

As the west German economy continues to advance, bond dealers are starting to wonder when the Bundesbank will start reacting to inflationary pressures. Industrial output was up 2 per cent in December over November, with new orders 2.7 per cent higher.

Thus, said Mr Adolf Rosenstock, economist at Industrial Bank of Japan, capacity utilisation has risen "dangerously close to the 85 per cent threshold beyond which inflationary pressures traditionally begin to rise". He reckoned the central bank would start moving interest rates up from the second quarter.

Also expecting the Bundesbank to put on the monetary brakes this year is Mr Martin Hüfner, economist at Bayerische Vereinsbank. "Some difficult months lie ahead," he said.

In his view, the Bundesbank will begin raising the repo rate to over 5 per cent this year from the present 4.85 per cent,



and then raise the discount and Lombard rates (unchanged since May).

Mr Hüfner does not expect German inflation, now just above 2 per cent, to roar ahead strongly, but foresees the possibility that it will approach 3 per cent by the year-end. For the bond market, he said, this means long-term yields will rise further. German yields could top out at 8-8 per cent next year, with the US peak in 1995.

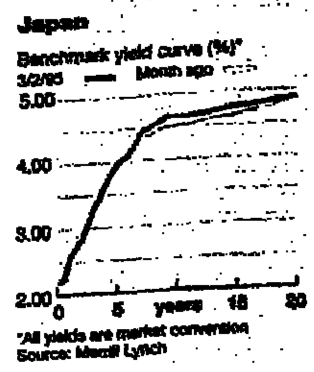
TOKYO
Emiko Terazono

Low short-term money market rates are expected to support the bond market this week.

The Bank of Japan is becoming increasingly concerned with fund procurement by commercial banks ahead of the March financial year-end pushing up short-term interest rates, and the rise in long-bond yields due to selling by corporate and financial investors to prop up earnings ahead of book-closing.

Last week, the overnight call rate, regarded as a benchmark for the central bank's money market, fell 6.25 basis points. Traders expect the bank to continue to take an easy stance, providing ample funds to the short-term money market.

However, underlying concerns over extra supply from the government's financing of the reconstruction of Kobe, devastated by last month's earthquake, will suppress heavy buying. Reports that the government is



considering raising Y1,000bn through the bond market is likely to weigh on investor confidence.

The ministry of finance is putting together the second supplementary budget, which is seen to include about Y500bn to be spent on rebuilding in Kobe. The government may issue deficit covering bonds for the first time in five years, to cover for the decrease in corporate tax income and tax cuts due to the earthquake.

Capital & Credit

Faith in Fed tightening restores optimism

Increasing optimism that the Federal Reserve will be able stave off inflation and steer the US economy to a soft landing reached a peak on Friday as the bond market soared on news of a surprisingly high January jobless rate.

Investors are certainly ready for some good news.

Until recently, the market was dominated by bears looking back at the worst year for bonds in recent memory. The Lehman Brothers index of Treasury bonds, which measures total returns, fell 3.4 per cent – the first negative return since the index was created in 1973.

So far this year the market seems better, with the index up 1.6 per cent in January. But economists warn that, although 1995 promises to be better for bonds than 1994, the strong bullish turn the market has taken may be premature.

"There was definitely a psychological shift," says Mr Robert Brusca, chief economist at Nikko Securities.

"The bond market has decided on a theme that the economy is slowing."

It was not long ago that investors interpreted all economic data as a sign of coming inflation.

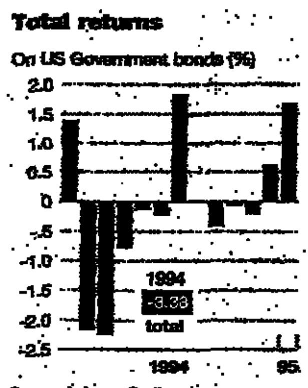
Last November, for example, the market looked past declines in an index of business activity produced by the Federal Reserve Bank of Philadelphia and sank on news that a prices sub-index rose.

Now the reverse is true. On Friday, the market brushed off components of the employment figures that indicate the threat if inflation has not yet been conquered.

Although the number of jobs created in January was much lower than most expected, there were sharp increases in hourly wages and the average number of hours worked each week.

Further, most of the slowdown in job creation came from the service side of the economy. There were solid gains in the number of manufacturing jobs created.

Still, the market looked only at the overall figures and reacted accordingly. The long bond soared well over a point as the yield fell back to 7.64 per cent. The short end of the market rallied on speculation that the Fed was done, or almost done, with raising interest rates, and that yield fell to 7.15 per cent.



"The market reaction is perhaps too good to be true," says Mr John Lipsky, chief economist at securities house Salomon Brothers. While he believes that the bond market will be a good investment over the long term, he warns that it could be buffeted by data indicating inflationary pressures still at work in the economy.

"On the trading side, the risk is that upcoming data is much less favourable," he said. "At the same time, investors are increasingly confident that the Federal Reserve is serious in its anti-inflationary goals and is more likely to succeed than had been assumed previously."

This week will not bring a great deal of economic data to upset the market. But one factor that could weigh on the market in the short term will be the new supply to come out of this week's sale of $40bn in new three-year, 10-year and 30-year bonds into the market by the Treasury department.

The most important economic news is not out until Friday, when the Labour department releases the producer price index for January. The median forecast is that the figure will be up 0.4 per cent on the month versus a 0.2 per cent increase in December.

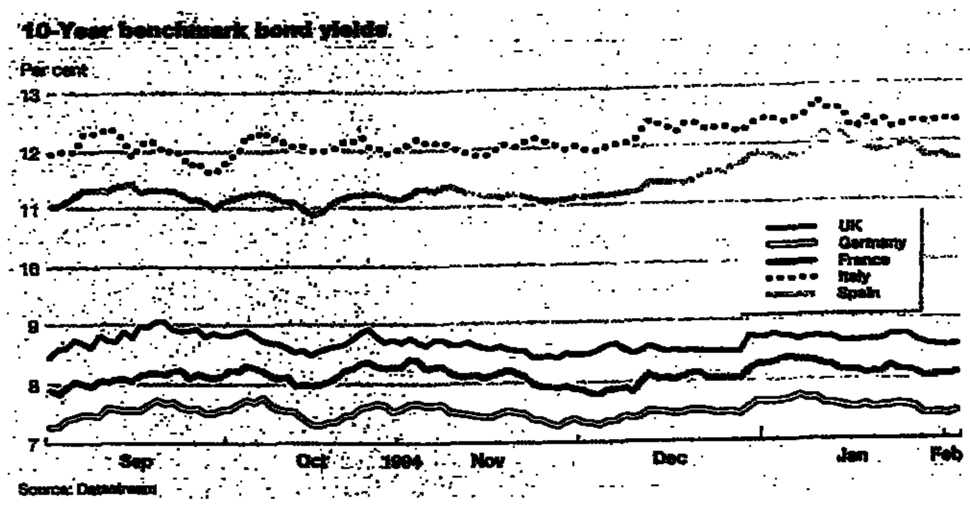
Salomon believes the increase might be as much as 0.6 per cent, which might send investors into the weekend with the hopes of low inflation for the year dashed. If that turns out to be the case, last Friday's rally could run out just a week after it began.

In the long term, there is a growing consensus that, in spite of the rising jobless figures, the economy will show enough strength to propel the Fed into at least one more interest rate rise this year.

Mr Allen Sinai, chief economist at securities house Lehman Brothers, believes the monetary tightening will come in May if the Fed holds to its current pattern of increasing rates about every two months. While he agrees with most of his colleagues that the bond market could face some bumpy times in the next few weeks, he adds that the growing regularity and steadfastness of Fed policy has removed a great deal of risk from the bond market.

"The total return on bonds and fixed income looks very good at this point. So long as there is no price erosion, they are really very attractive," he says.

Lisa Bransten



INTEREST RATES AT A GLANCE

	USA	Japan	Germany	France	Italy	UK
Discount	5.25	1.75	4.50	6.40[1]	7.50	6.75[2]
Overnight	5.88	2.22	4.88	5.25	8.18	5.63
Three month	5.94	2.18	4.95	5.63	8.70	6.65
One year	6.78	2.42	5.62	6.50	9.87	7.81
Five year	7.38	4.01	7.02	7.75	12.19	8.52
Ten year	7.46	4.61	7.39	7.89	12.30	8.55

(1) France-Repo rate. (2) UK-Base rate. Source: Reuters.

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	101-01	102-24	+1-24	102-29	101-00	249,415	351,889
Sep	100-21	102-08	+1-24	102-13	100-17	7,699	33,881
Dec	101-08	101-28	+1-22	101-31	100-30	1,067	4,421

Debt-equity programmes

Conversion deals are back in fashion

Debt-equity schemes are coming back into fashion in Latin America and eastern Europe. The deals, which allow investors to convert distressed sovereign debt into equity in privatised companies, have declined in popularity since 1990 and last year saw almost no activity.

However, the fall in the price of Brady bonds and other developing country debt paper is helping to increase government interest in the deals as a way of reducing debt. In addition, with the interest of fund managers in emerging markets depressed following the Mexican financial crisis, the schemes could be the only way for some countries to attract investors to support ambitious privatisation programmes.

"There is now a window of opportunity for debt-equity conversion to be revived on a broader scale," says Mr Richard Segal, emerging markets economist with Bank of America.

A sharp increase in recent activity in Bulgaria has excited interest among bankers in London. More importantly, there are hopes for a large rise in activity in Latin America, which accounted for more than 80 per cent of all debt conversion between 1985 and 1993. Peru completed two debt-for-equity swaps in the fourth quarter of 1994, and analysts expect increased activity in Argentina – where the government is hoping to raise more than $3.5bn in new equity investment this year – and Brazil.

Debt-equity schemes started in earnest in the mid-1980s, and flourished at the end of the decade, when the schemes formed a central element of the successful Chilean and Argentine privatisation schemes. The deals entail investors buying equity in local companies with debt paper purchased on the secondary market. The terms of the deals vary. Some governments may offer only slightly more equity than that which could be bought with the discounted dollar price of the debt. However, in other cases, especially where alternative sources of capital may be scarce, an amount of equity nearer to the full face value of the debt might be offered. According to the Institute of International Finance in Washington, activity peaked in 1990 when $8.5bn of debt was converted into share capital.

A number of countries, including Argentina and Mexico, introduced schemes in which Brady bonds were issued in exchange for the discounted debt and, although activity dropped off slightly, debt-equity swaps exceeded $4bn in both 1992 and 1993. Last year, activity slowed to a trickle, but in the last two months there have been indications of a revival.

- Debt-equity schemes in Bulgaria kicked off in 1993 with the introduction of a scheme allowing investors to convert internal debt bonds for equity in local companies. So far, the government has accepted payment in this paper for shares in 77 separate deals for a total of $45m. Under a more recent scheme which allows investors to convert Bulgaria's Brady bonds into equity there have been two deals. In one, a German company acquired an 80 per cent stake in a five-star hotel in Sofia worth DM65m ($42.8m). Last month, in a smaller deal ING, a Dutch bank, acted as an agent for an investor who bought a stake worth less than $1m in a Varna-based electrical equipment company. There have been some reports that the government may slow down the programme. But bankers are optimistic that there will be more activity.
- Peru privatised nearly $3bn in assets in 1994 and has begun a debt-equity programme. Stakes in two companies – Tintaya, the copper mining and processing company, and Cajamarquilla, a zinc refinery – were sold partially in exchange for debt paper, raising $55m out of a total $273m for Tintaya and $40m of $193m for Cajamarquilla. Ms Ingrid Iversen, senior economist with Morgan Grenfell, says there is potential to increase activity. "On optimistic assumptions, debt retired in Peru through equity schemes could eventually amount to $1bn," she says.
- In Argentina, the government accepts that debt-equity programmes will form a part of its plans to raise between $2.5bn and $4.5bn this year.
- Debt-equity schemes could go ahead in Poland and Brazil, both of which issued Brady bond programmes last year.

Emerging market debt prices have fallen by an average 20 per cent in the last year, making it much cheaper for the countries to clear debt. "There is more of an incentive," says Ms Iversen. "They effectively have to pay less to retire the debt." Ms Iversen says that for many countries, debt servicing is an important element of fiscal problems, creating an extra incentive to reduce indebtedness.

"Clearly, 1994 was not a very good year," adds Mr Segal, "but with debt prices more subdued now than in the past it would look more attractive." Moreover, there are signs that the inflows of portfolio capital into privatisation issues is beginning to slow, as institutional investors, especially in the US, reassess their exposure to the emerging markets in the wake of Mexico's financial crisis. With the pace of planned privatisation showing no signs of let-up, governments could be competing for a smaller amount of capital, adding to pressures to introduce or revive conversion schemes.

Turkey, Russia, Argentina, Brazil and Mexico have plans to raise more than $15bn, according to Bank of America. In addition, the speed with which portfolio investors have withdrawn from some emerging markets has underlined the attraction of the generally less mobile direct investment.

Richard Lapper

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book runner
US DOLLARS							
Kenny Co.(a)‡	100	Feb.1999	4.50	100.00	-	-	Daiwa Europe
Colonial Finance(b)‡	150	Feb.2005	(b1)	100.00R	-	-	Goldman Sachs Intl.
Campbell Soup Co.	300	Feb.1997	7.75	100.036R	7.730	+22(7½%-97)	Morgan Stanley Intl.
Korea Development Bank	80	Mar.1998	5.00	92.56R	7.881	-	Nikko Europe
Bayer. Vereinsbank O'seas(k)	100	Dec.1998	8.00	100.58R	7.819	+11½(j)	Swiss Bank Corp.
YEN							
Export-Import Bk. of Korea‡	20bn	Feb.2000	4.35	100.00R	4.350	-	Nomura International
STERLING							
Royal Bank of Scotland(c)	100	Jan.2018	9.625	97.538R	9.899	+128(8¾%-17)	UBS
GECC	100	Feb.2000	9.00	100.17R	8.956	+20(8%-00)	Goldman Sachs Intl.
Bristol & West B/S(m)‡	100	Feb.1999	(m1)	99.755R	-	-	Kleinwort Benson
D-MARKS							
Commerzbank O'seas Fin.‡	250	Feb.2000	(g1)	100.00	-	-	Commerzbank
Commerzbank O'seas Fin.‡	250	Feb.2005	(g2)	100.00	-	-	Commerzbank
FRENCH FRANCS							
GECC	1.5bn	Feb.2003	8.125	99.728	8.174	+17(f)	Banque Paribas
Helaba Finance	980	Mar.1998	zero	74.012R	7.705	+8(f)	CDC
SWISS FRANCS							
City of Vienna, Tranche 2(d)	150	Feb.2000	5.375	102.60	4.778	-	Credit Suisse
ITALIAN LIRE							
Republic of Austria	200bn	Mar.1998	zero	74.495	10.31	-	Credito Italiano
Banque National de Paris	150bn	Mar.1997	11.00	101.075	10.39	-	San Paolo
World Bank	150bn	Mar.1996	zero	91.975	8.725	-	WI Bank Luxembourg
Deutsche Bank Finance(i)	120bn	Jan.1998	11.00	101.675	10.27	-	Deutsche Bank London
CANADIAN DOLLARS							
Commerzbank O'seas Fin.(l)	100	Mar.1999	9.25	99.91R	9.278	+10(l)	Wood Gundy
GUILDERS							
Rabobank Nederland(s)	150	Dec.1999	7.50	102.43	6.879	-	Rabobank Nederland
LUXEMBOURG FRANCS							
Banque UCL	2bn	Apr.1999	7.75	101.85	7.201	-	Banque UCL
Carabank Luxembourg(s)	2bn	Feb.2000	7.875	102.15	7.34	-	Carabank Luxembourg
Republic of Austria(s)	5bn	Sep.1999	7.625	102.40	7.00	-	BIL
De Nill(s)	2bn	Dec.2000	7.875	102.35	7.37	-	BGL/ Kredietbank Lux.
Ippa Finance Co.(i)	2bn	Jan.1999	8.00	102.40	7.30	-	BCCE
Bacob Overseas(i,i)	2bn	Jun.1999	8.00	102.40	7.30	-	Bacob Bank Lux.
ECUS							
Eurofima(s)	50	Dec.1999	8.125	101.484	7.731	-	BZW
PESETAS							
European Investment Bank	25bn	Mar.1999	11.20	101.116	10.75	-	BSN
ESCUDOS							
Crédit Agricole‡	15bn	Mar.1999	(e)	99.95	-	-	Banco ESSI

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. §Convertible. ‡Floating-rate note. ¢With equity warrants. ☆Unlisted. §Semi-annual coupon and yield. R: fixed re-offer price. a) Devons: $5,000 +1 wrt. Ex price: Y1038. FX: 100.45Y/$. b) Callable on any coupon date from Feb.98 at par. b1) 6-mth Libor +75bp for 1st 5 yrs and +175bp thereafter. c) Fungible with £150m. Plus 240 days accrued. d) SFr100m launched 17/1/95 was increased to SFr250m. e) Fungible with Fr 350m. Plus 70 days accrued. f) Over Apr.98 strips. g) Coupons linked to 10-yr interest rate index (REX Rendite subindex). g1) 98% of reference index. g2) Reference index -79bp. h) Fungible with Ecu170m. Plus 73 days accrued. i) Over interpolated yield. j) LFr2bn launched 25/1/95 was increased to LFr4bn. k) Fungible with $200m. Plus 47 days accrued. l) Long 1st coupon. m) Callable on coupon dates from Feb.98 at par. m1) 3-mth Libor +10bp. n) Fungible with L300bn. Plus 51 days accrued. s) Short 1st coupon. Note: Yields are calculated on ISMA basis.

The Emerging Investor / **Farhan Bokhari**

Mexican ripples reach Pakistan

The after-shock of the Mexican crisis continues to haunt many emerging markets.

In Pakistan, a three month period of negative sentiment, caused by domestic concerns over politics and the country's economic performance, has not been helped by the aftermath of the Latin American situation.

In the past four years, Pakistan's economic reform process has opened up the Karachi stock exchange, the country's largest stock market, to foreign investors.

They now have complete freedom to invest in any share of their choice without limit on investments, and fully repatriate capital and profits. Brokers estimate that up to $1bn of foreign money has entered the KSE since 1990.

Although that is still a relatively small portion of the total market capitalisation of roughly $11bn, it is enough to influence decisions by local investors.

Mr Sirajuddin Cassim, president of the KSE says: "We are no longer an isolated market. Whatever happens internationally for emerging markets affects us."

Meanwhile, other analysts are bracing themselves for a further bearish onslaught during the next four weeks, a period which includes the Islamic holy month of Ramadan.

Judging from experience in previous years, Ramadan is a time when the market has remained subdued.

Other factors include concerns over political issues and the country's recent macroeconomic performance, such as this year's growth rate falling behind target.

Since October, the KSE-100 index has lost approximately 20 per cent of its value and almost half of that fall has occurred in the past month alone.

Initial falls were triggered by worries over the law and order situation and political conditions in Karachi. Despite hectic efforts, the government has still not managed to settle a running dispute between the city's two main warring factions.

On the economic front, the latest cotton crop has suffered from large scale damage following attacks by the leaf curl virus, making it the third consecutive year of such losses.

As a result, the textile sector is expected to once again face substantial losses due to raw material prices almost doubling in the domestic market during the past quarter.

The country's export performance may also suffer, as almost 60 per cent of export revenues have come from cotton products during the past three to five years.

For the KSE, the cotton outlook is crucial. Almost a quarter of the 723 companies listed on the market represent the textile sector, and their performance plays a significant role in index volatility.

Many independent analysts fear that the government's earlier target of a 6.9 per cent GDP growth rate for the year to June would have to be lowered by at least 2 percentage points.

Analysts also say that the government would not succeed in its efforts to lower the public sector deficit to 4 per cent of GDP. Indeed, the deficit could end up at more than 5 per cent, due to the cotton results.

"People are very concerned about economic indicators. They are worried about the future" says Mr Nasir Bukhari, chief executive of Khadim Ali Shah Bukhari, Karachi's leading broking firm.

Mr Bukhari's company estimates that Karachi is the second largest market in the south Asian region after Bombay. According to December estimates, the Karachi market is trading on a historic p/e of 14, having been as high as 20 in the summer.

This makes the market look comfortably valued relative to Bombay, on a multiple of 28, and Colombo on 17. However, this year's figures for corporate growth, which are expected over the next couple of months, are not expected to boost market sentiment as many businesses are set to report lower profits or even losses due to the depressing economic outlook.

Some analysts argue that the market's present conditions are a reflection of a record number of share offers during 1994 which have absorbed excessive liquidity.

The past year has seen offers worth Rs34bn ($1.08bn) or almost 10 per cent of market capitalisation.

According to Mr Siddiq Moti, an independent KSE broker, up to 70 or 80 per cent of the 150 brokers active in the market are suffering from a financial squeeze following large business commitments last year.

Among investors, some of the worst hit have been those who participated in the flotation of 10 per cent of Pakistan Telecommunications Corporation, the country's telephone company. The shares, floated during the summer, have since fallen sharply.

The fall was triggered by concerns that the company had not provided correct information on the scale of its operations, such as the number of lines at the time of the offer. Moreover, PTC's financial results for the year to June 1994 have not yet been made public.

The government claims that it wants to step up the pace of PTC's privatisation and has set itself the target of inviting bids from foreign investors later this year for a further 26 per cent stake, with the intention of transferring management to a private company. If the plan succeeds, PTC's share price may recover some of the ground lost.

However, the market's long term future depends as much on domestic issues tied to politics and the economy, as it does to global trends.

One foreign fund analyst said: "Mexico has shaken confidence around the world. Markets like Karachi will find it hard to lure back foreign investors with the same enthusiasm as many have showed in the past, unless Mexico becomes a forgotten story."

Ten best performing stocks

Stock	Country	Friday 3/2/95	Week on week change $	%
Duta Anggada	Indonesia	0.6420	0.1015	18.78
Putra Surya Perkasa	Indonesia	0.5857	0.0902	18.21
Advanced Info Services	Thailand	12.7694	1.6760	15.11
CAP	Chile	5.9239	0.7762	15.08
Land & Houses	Thailand	14.3655	1.7558	13.92
Renong	Malaysia	1.1200	0.1230	12.33
Petron	Philippines	0.7863	0.0854	12.18
Universal Robina Corporation	Philippines	0.8250	0.0833	11.86
First Philippine Holdings	Philippines	2.7218	0.2837	11.64
Lippo Bank	Indonesia	1.3517	0.1354	11.14

Source: Baring Securities

NEWS ROUND UP

Taiwan sets new limits

Taiwan has set a new limit on total foreign investment in the stock market at 12 per cent of the market's capitalisation.

Provided the limit was met, general limits of $7.5bn on direct foreign investment and of $2.5bn for money raised by local securities investment trusts overseas would be lifted.

However, a $3bn limit on funds raised by local companies through convertible bonds and global depositary receipts is to remain.

A limit on a single foreign investor's holding in a single Taiwan company is also to be raised to 6 per cent of capitalisation from 5 per cent.

The government suggested that the new regulations would become effective in the next couple of months.

■ Performance

In an analysis of emerging markets throughout 1994 Kleiman International, the independent research group, found a mixture of performances, with smaller, less fashionable markets doing best.

In local currency terms Egypt came top of the list, rising by more than 150 per cent as progress was made in the privatisation arena, while Ghana, Bangladesh and Tunisia were up by 117, 115 and 101 per cent respectively.

In Europe only Portugal and Slovenia made a positive move in 1994.

■ Fund Launches

Foreign & Colonial Emerging Markets has launched the first US-listed Middle East investment fund. The market capitalisation of the fund is $36.5m, and the net asset value per share $13.

F & C said that the fund was moving towards an asset allocation of at least 65 per cent in the core markets of Egypt, Jordan, Morocco, Oman and Tunisia, and up to 35 per cent in non-core markets, initially Israel and Turkey. The fund was currently 55.6 per cent invested.

Regent Fund Management is launching a second open-ended hedge fund, the Regent Pacific CB Hedge fund, which will seek capital appreciation on a risk managed basis. The first hedge fund has attracted $260m and is currently closed to new subscriptions. The new fund will offer a maximum of $60m of new shares at its launch.

■ Moscow

The Moscow Times has expanded its index to cover 50 stocks, from 30, in an effort to be more representative of the Russian market.

Newcomers to the index, which tracks quotations from brokers in the over-the-counter market, include Mosenergo, a energy utility, and Megionneftegaz, a Western Siberian oil company.

The market capitalisation of the 50 stocks would be about $21.5bn.

■ Morocco

A Moroccan brokerage company, Upline Securities, is to launch a 10 share market index this week to be calculated on a daily basis in both local currency and dollar terms.

The Upline Securities Index will include only the most actively-traded stocks of the 61 companies listed on the Casablanca bourse, which is estimated to be the second biggest in Africa after South Africa.

● Demand for shares in newly privatised Moroccan General Tire and Rubber, a subsidiary of Continental of Germany, was heavily subscribed when subscriptions closed on January 31. The bourse said individuals were likely to get 8.2 shares each, less than the 25 minimum.

■ Bangkok

Thai listed companies issued a total of Bt82.07bn new shares in 1994, a 141 per cent rise over the previous year, the SEC has announced.

Listed companies also issued debt instruments worth a total of Bt61.64bn, of which Bt35.43bn came from local investors and the rest from overseas markets.

Listed companies also raised Bt50.85b through equity to debt instruments.

● *Edited by John Pitt. Further coverage of emerging markets appears daily on the World Stock Markets page.*

Baring Securities emerging markets indices

Index	3/2/95	Week on week movement Actual	Percent	Month on month movement Actual	Percent	Year to date movement Actual	Percent
World (315)	142.63	+2.31	+1.65	-13.29	-8.53	-15.41	-9.75
Latin America							
Argentina (24)	82.81	+0.80	+0.97	-7.22	-8.02	-3.30	-3.84
Brazil (21)	190.38	-1.70	-0.89	-18.80	-8.99	-18.99	-9.07
Chile (13)	205.38	+1.11	+0.54	-4.46	-2.12	-6.08	-2.88
Mexico (27)	74.46	-0.02	-0.02	-14.51	-16.31	-23.17	-23.73
Peru(16)	709.79	-10.85	-1.51	-144.28	-16.89	-138.88	-16.36
Latin America (102)	121.15	-0.28	-0.23	-14.19	-10.48	-17.62	-12.69
Europe							
Greece (18)	83.39	-0.60	-0.72	-4.53	-5.15	-3.60	-4.14
Portugal (19)	115.15	+2.62	+2.33	-0.59	-0.51	-1.13	-0.97
Turkey (20)	68.09	+0.24	+0.36	-1.95	-2.78	-8.02	-10.54
Europe (57)	93.53	+0.71	+0.76	-2.62	-2.72	-4.17	-4.27
Asia							
Indonesia (27)	127.21	+4.03	+3.27	-7.83	-5.80	-6.48	-4.85
Korea (24)	125.62	+1.85	+1.49	-11.16	-8.16	-14.27	-10.20
Malaysia (22)	204.62	+11.25	+5.81	-7.32	-3.45	-5.90	-2.80
Pakistan (13)	88.38	+1.38	+1.59	-22.61	-20.37	-17.82	-16.78
Philippines (12)	253.43	-15.56	+6.54	-29.06	-10.29	-28.70	-10.17
Thailand (26)	238.63	+12.40	+5.48	-11.89	-4.75	-13.01	-5.17
Taiwan (32)	163.19	+0.01	+0.01	-21.70	-11.74	-20.96	-11.38
Asia (156)	196.55	+7.60	+4.02	-14.27	-6.77	-14.06	-6.68

All indices in $ terms, January 7th 1992=100. Source: Baring Securities

CURRENCIES — Philip Gawith

Markets watch for fresh trends

The dollar finished last week rising. Sterling, by contrast, was falling. Markets will be looking this week to see whether or not those movements constitute fresh trends.

Having ignored such seemingly positive events as the Mexican support package and a rise in short-term interest rates, the dollar chose on Friday to rise on the back of a buoyant bond market.

Some analysts believe the US economy may now be on track for a virtuous low-inflation recovery, which would help bond markets and the dollar. The bear market for bonds last year was a factor in the dollar's weak performance.

Two key events which will influence the dollar's progress will be the publication today of President Clinton's proposed fiscal 1996 budget, and the producer prices on Friday. If any bad inflation news emerges, this could halt the rally in bonds and the dollar.

Also relevant for the dollar will be the publication of Japan's December current and capital account data. Analysts at the Industrial Bank of Japan in London argue that a "quite significant outflow of long-term capital", and a peak in the current account surplus, will cause the yen to weaken against the D-Mark and the dollar.

IBJ is predicting a fall in Japan's current account surplus this year to nearly $110bn, from an estimated $128bn in 1994. These figures, coupled with continued capital outflows and decreasing foreign interest in yen assets, leads IBJ to forecast the yen falling to Y105 against the dollar.

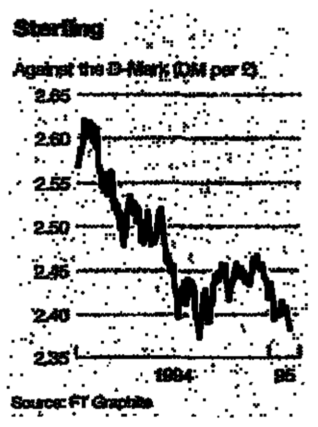
Sterling's performance will be a function of developments on the political front. Last week's weakness stemmed from investor fears that hiccups in the Irish peace process could unseat the government, which is reliant on the votes of Ulster unionists for its Commons majority. The pound is sure to come under pressure if the government's position is seen to be threatened. Traders will also be seeking hints of the monetary policy outlook from the quarterly inflation bulletin, which will be released on Wednesday.

A further concern for sterling traders will be expected discussion of conditions under which Britain might join a single European currency. The issue goes to the heart of Tory party worries about Europe, and could be the catalyst for further internal bickering.

In Europe, attention will turn initially to France, where markets will have an opportunity to vote on the weekend election of Mr Lionel Jospin as the Socialist candidate for the May presidential elections.

Sterling

Against the D-Mark (DM per £)



Source: FT Graphite

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, February 3, 1995 . In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	5454.27	3485.38	2285.56	3497
Albania	(Lek)	158.270	101.137	66.3218	101.476
Algeria	(Dinar)	66.8586	42.724	28.0165	42.8664
Andorra	(Fr Franc)	8.2675	5.2858	3.4728	5.3135
	(Sp Peseta)	207.476	132.581	86.9409	133.029
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Gambia	(Dalasi)	15.3856	9.838	6.4513	9.8708
Germany	(D-Mark)	2.3384	1.5249	1	1.53
Ghana	(Cedi)	1661.63	1061.81	696.291	1065.35
Gibraltar	(Gib £)	1	0.639	0.419	0.6411
Greece	(Drachma)	372.747	238.192	156.196	238.986
Greenland	(Danish Krone)	9.4128	6.0148	3.9442	6.0348
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pakistan	(Pak. Rupee)	48.2429	30.8281	20.2157	30.9306
Panama	(Balboa)	1.5649	1	0.6557	1.0033
Papua New Guinea	(Kina)	1.8303	1.1695	0.7669	1.1734
Paraguay	(Guarani)	3063.38	1957.56	1283.68	1964.08
Peru	(New Sol)	3.4224	2.1869	1.4341	2.1942
Philippines	(Peso)	38.8083	24.7992	16.2622	24.8819
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

CONTRACTS & TENDERS

RUSSIAN FEDERATION
GENERAL PROCUREMENT NOTICE

The Government of the Russian Federation has applied for a loan of $400 million from the World Bank to implement the Housing Sector Reform Program. Part of this program will be a land and infrastructure development project, carried out in six (6) sites in the cities of TVER, NOVGOROD, ST. PETERSBURG, NIHZNY NOVGORD, and BARNAUL. Land and infrastructure development will include site preparation, water, sewer, electrical, gas and district heating installations and it is proposed to execute this work under contracts based on the Bank's Standard Bidding Documents for Smaller Works. The approximate construction costs of these projects in millions of US$ are: Tver 4.5-5.5, Novgorod 5-6, St. Petersburg Kamenka site 5-6, St. Petersburg Kolomagi site 3-4, Nizhny Novgorod 7.5-8.5, and Barnaul 2-3. Contractors from the Russian Federation and other World Bank eligible countries who have previous experience with similar contracts in cold climates are invited to bid for one or more of these projects. Contractors will be post-qualified based upon the firm's experience, capacity, and financial standing. Joint ventures between foreign and domestic firms are encouraged, but are not mandatory.

Bidding documents will be available in March 1995 from the address below for a fee of US $ 100 or equivalent per site. Bids are expected to be due in May 1995.

Mr. Anvar Sh. Shamuzafarov
Head of Department of Housing Policy
Ministry of Construction of the Russian Federation
8, Block 2, Stroiteley St.
Moscow, 117987, GSP-1, Russia
Tel. (095) 930-75-12
Fax. (095) 930-96-00

CHELSEA BUILDING SOCIETY
£15,000,000
Subordinated Floating Rate Notes Due 2004

In accordance with the terms and conditions of the Notes, notice is hereby given that the Rate of Interest for the Interest Period 1 February 1995 to 31 July 1995 has been fixed at 8.625 per cent per annum. The coupon amount per £100,000 will be £4,277.05 payable on 1 August 1995 against presentation of the relevant Note. The Rate of Interest for the Interest Period 1 August 1994 to 31 January 1995 was 7.5625 per cent per annum.

THE INDUSTRIAL BANK OF JAPAN LIMITED
Agent Bank

SGA SOCIETE GENERALE ACCEPTANCE NV
FRF 1,000,000,000 REVERSE FLOATING RATE NOTES DUE FEBRUARY 2, 2004
ISIN CODE : XS0047009963

For the period February 02, 1995 to May 02, 1995 the new rate has been fixed at 4,246875 % P.A.
Next payment date : May 02, 1995
Coupon nr : 2
Amount :
FRF 1049,92 for the denomination of FRF 100 000
FRF 10499,22 for the denomination of FRF 1 000 000

THE PRINCIPAL PAYING AGENT
SOGENAL
SOCIETE GENERALE GROUP
15, Avenue Emile Reuter
LUXEMBOURG

LEGAL NOTICES

No: 801 of 1995

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION

IN THE MATTER OF
CITY INDEX LIMITED
AND
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on Wednesday 25 January 1995 presented to Her Majesty's High Court of Justice for the confirmation of the cancellation of the share premium account of the above-named Company in the sum of £4,922,559.10.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before Mr Registrar Buckley at the Royal Courts of Justice, Strand, London WC2A 2LL on Wednesday 15 February 1995.

ANY Creditor or Shareholder of the Company desiring to oppose the making of an Order for the confirmation of the cancellation of the said share premium account should appear at the time of the hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the under-mentioned Solicitors on payment of the regulated charge for the same.

Dated this 6th day of February 1995

RAKISONS
27 Chancery Lane, London WC2A 1NF
Tel: 0171 404 5212 Ref: ASW/IRB/9979
Solicitors for the above-named Company

BUSINESS TRAVEL

Landes-Kreditbank Baden-Württemberg

Landeskreditbank Baden-Württemberg
US$200,000,000
Subordinated floating rate notes due 2003

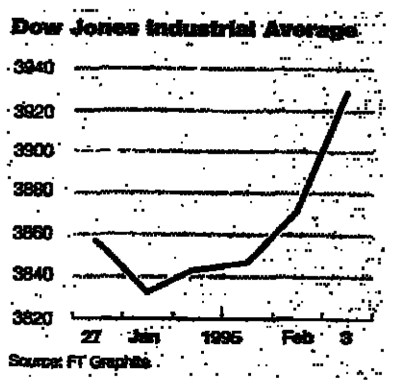
Notice is hereby given that the notes will bear interest at 6.4375% per annum from 6 February 1995 to 4 August 1995. Interest payable on 4 August 1995 will amount to US$32.01 per US$1,000 note and US$320.09 per US$10,000 note and US$3,200.87 per US$100,000 note.

Agent: Morgan Guaranty Trust Company
JPMorgan

EQUITY MARKETS: This Week

NEW YORK
Lisa Bransten

Investors wary of data-fuelled momentum



Investors will be watching this week to see if Friday's soaring market will prove a momentary surge or the beginning of bullish times.

Last week, the market ended on a high note, with the Dow up nearly 59 points at 3,928.64 largely because of jobs figures that showed the economy much weaker than most observers had expected.

According to the Labour department, the unemployment rate jumped to 5.7 per cent in January, while most economists thought the figure would hold steady, close to the 5.4 per cent recorded for December. Further, only 134,000 non-farm jobs were created, while economists expected 225,000.

For nearly all of last year, the Dow traded between 3,600 and 4,000 and Friday's rally set some to wondering if the market couldn't break through the high end of that range.

Until Friday, no important economic data should upset the high hopes that the economy is slowing and therefore the Federal Reserve will not raise interest rates again this year, so Friday's momentum could carry through.

However, some economists are cautious and point to hints of continued economic strength lying just beneath the surface of last week's jobs figures. For example, there were strong gains in the average number of hours worked per week and hourly earnings.

So, investors may come into this week having thought better of Friday's buying spree, and begin taking profits. They may also seize the momentum and run with it.

Mr Bill Dodge, chief equity strategist at securities firm Dean Witter Reynolds, believes there should be some momentum left in the market today.

"I think on Monday, stocks will open up and try to take on the 1994 high of 3,978, but it will be a bit of a slugfest," he says. "There will be a lot of people who are willing to bet that we are not ready to break out of this trading range."

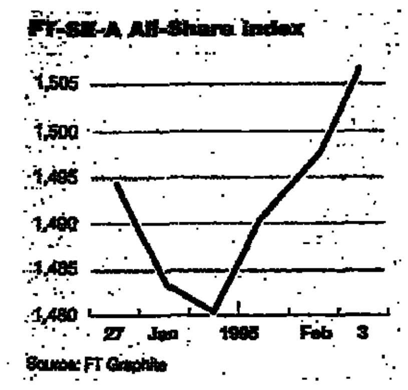
On Friday, investors will have some real numbers with which to take another reading of the economy's pulse when the Labour department releases the producer price index for January. The median forecast has producer prices up 0.4 per cent for the month, both overall and excluding the volatile food and energy components.

The figure is especially important because it is watched as a precursor to the main measure of inflation, the consumer price index, which should be released on February 15.

If the PPI increase is much higher it could bring jubilant investors down to earth by pointing to one more interest-rate increase before the year is over. If producer prices come out lower than expected it could trigger another rally like last Friday's.

LONDON
Terry Byland

Bulls point to activity from corporate side



If corporate activity is a sign of a confident stock market, then it is difficult to be pessimistic about London now that the long-heralded rise in interest rates has been taken without serious distress. Veba's purchase of a 10.5 per cent stake in Cable & Wireless, probably the largest single buying order recorded in London, has been completed without visible strain, and Glaxo's £9bn-plus bid for Wellcome, which will create another record for London, shows every sign of success. Inputs of cash on this scale – Glaxo's move alone offers the prospect of an extra £6bn into the market – imply both rising confidence and solid investment power if the market means what it says.

For the bulls, and there are many, these deals reflect confidence in a market buoyed by excellent valuation, low inflation and economic recovery. The bears point to rising interest rates, flagging consumer spending, a flat housing market and, of course, the threats still lurking in Japan and Latin America.

It looked for a moment last week as though the bulls were the dominant party. Securities markets across Europe and the US held up successfully on Interest Rate Decision Day. Global fund managers are believed to accept the valuation arguments favouring London highly against other European stock markets.

Yet the Footsie's advance above 3,000 began to look uncertain at the end of the week, and the cause seemed to be lack of confidence rather than any specific factor.

Kleinwort Benson puts its finger on the wider implications of higher US interest rates with: "The last hike catalysed the Orange County and Mexican debacles. We can only wait for the next disaster to strike."

One new factor entered the markets at the end of the week when the foreign exchange markets reacted strongly to worries regarding the UK political scene which the equity market, on the whole, took less seriously.

Weakness in sterling may have contributed to the falls in UK bonds, but stock market analysts regarded this as a valuation exercise rather than anything approaching political panic. But there can be no doubt that further parliamentary clashes over Ulster or Europe could present the markets with changed political prospects.

Bond/equity ratios are considered to be more favourable for equities in London than in the New York market. Consequently, say London strategists, Friday's diversion between UK and US bonds was not unexpected.

Last week saw the first covered or basket warrant available on investment trusts: BZW is issuing 25m covered call warrants with an expiry date of August 1996, the issue having a market capitalisation of £15m.

International offerings

Emerging markets left out of primary issue revival

The primary market for international equities is slowly coming back to life.

Although the number of offerings is small, dealers report increasing investor demand and expect supply to continue flowing steadily.

"Investors are encouraged by the way the markets are behaving. And, while there's still a lot of caution out there, it's not the all-out pessimism we saw at the beginning of the year," said a syndicate manager.

Emerging market issuers, however, remain excluded from most investors' shopping lists, causing many offerings there to be delayed. Many investors are still smarting from the sell-off in most of those markets, sparked by the Mexican peso crisis and exacerbated by local worries such as political uncertainty in India and concern over the deteriorating health of China's leader Deng Xiaoping.

"The emerging markets have taken a bath, with the result that the majority of investors have zero interest and many issuers don't want to issue stock at these depressed levels," said a dealer. "The gulf between what issuers want to achieve and what investors are willing to pay is as wide as I've seen it for some time".

Meanwhile, last week's most talked-about offering, a 1.09m-share IPO with Vienna and Paris listings for Wolford, the Austrian manufacturer of luxury tights, raised temperatures in City dealing rooms.

The deal was a resounding success, with the international tranche of 370,000 shares some 16 times oversubscribed. The shares were priced at Sch440 each – near the top of the indicated Sch400-Sch450 range. Creditanstalt led the domestic tranche and Crédit Lyonnais led the international portion.

Wolford's marketing campaign was the subject of lively debate in London. Surprisingly for a stock aimed at female investors – dubbed "Lady Stock" by Wolford – some of the marketing material seemed geared more to male tastes. The sales prospectus featured the curvaceous silhouette of a model wearing Wolford tights – and not much else.

Another attention-grabbing marketing tool were calendars and brochures featuring female models in an advanced state of undress – except for their Wolford garments.

While many dealers scrambled to snatch up the glossy offerings as trading-room demand outstripped supply, others criticised what they considered the sexist sales pitch of the offering.

"I think it sets a new standard in bad taste," grumbled one dealer. "This kind of prospectus would never have got through our compliance department."

A 1.6m-share public offering by Spain's only listed life insurer Mapfre Vida, being spun off by Corporación Mapfre, has met good demand during its international roadshow. It was listed last December, after a private placement of 1.2m shares at Pta4,750 each. They now trade at Pta5,570. Lehman Brothers and BBV are global co-ordinators.

The sale of 30m shares in Cardo, the Swedish engineering company, is progressing smoothly. The company is being re-floated after Incentive AB bought it last year and restructured it. The sale includes a rights issue to former shareholders enabling them to buy the stock at a SKr12.5 discount. By Friday, the rights were trading at SKr13.5 bid. Merrill Lynch and Svenska Handelsbanken are joint global co-ordinators.

Dealers reported strong institutional demand for the shares in the French state tobacco monopoly Seita, amid talk that the deal is oversubscribed. The shares are being pre-marketed at an indicated price of FFr126-FFr134.

Conner Middelmann

OTHER MARKETS

PARIS

Changes to the constitution of the CAC-40 index take place at the close of market trading on Thursday, *writes John Pitt.* Three new stocks enter the index: Eurotunnel, Pinault Printemps Redout, the food retailer, and Renault. They replace EuroDisney, Casino and CGIP, the holding company. As a consequence, the CAC-40's total capitalisation will increase by FFr60bn to FFr1,334bn, at January 20 prices. The changes further lift the weighting of sectors linked to household consumption – if motor vehicles are included – to 26.8 per cent from 24.8 per cent.

STOCKHOLM

The market awaits full-year figures from Ericsson on Thursday, with analysts expecting a rise of around 70 per cent in the 1994 pre-tax profit figures. Mr Keld Holm at Bikuben Securities notes that the Scandinavian markets have been among the best performing equity markets during the past month. In particular, Sweden remains in positive territory, in spite of the sharp decline in international stock markets following the Kobe earthquake.

"However, we expect the general uncertainty prevailing on the international markets to continue affecting the Scandinavian markets," he says. However, he recommends an overweight position for the Danish and Norwegian markets, adding that positive fundamentals at the corporate level also hold true for Sweden, although governmental budgetary problems may create jitters in the fixed-income and foreign exchange markets, leading to temporarily negative sentiment in the stock market.

Kleinwort Benson addresses the same theme, noting that the cautious reaction to the excellent Electrolux figures and profits upgrade from SKF confirmed what it feared: in spite of what promises to be a record results season from Swedish corporates, the necessity of further measures to improve public finances following the 1995-96 budget, and anticipated interest rate increases, subdued market potential.

FRANKFURT

Tomorrow brings Schering's 1994 final results and its trading statement for 1995, and the stock put in a positive performance last week in anticipation.

NatWest Securities notes that good news and strong earnings reports are starting to drive prices higher. It points to Degussa, buoyed by the 54 per cent rise in first-quarter earnings; Continental after the joint venture with Michelin; and SAP, which rose strongly on the back of good 1994 figures and a strong outlook for 1995.

NatWest draws attention to the most recent VDMA engineering order figures which showed real orders up 13 per cent last year, with domestic orders up 27 per cent in December and foreign demand still robust, up 17 per cent in real terms. "This should be reflected in strong first-quarter 1995 figures, underpinning our expectation that the market will revert to being more earnings driven. With the good earnings base established in 1994, and strong growth in 1995, valuations no longer look at all stretched for this stage in the cycle," says NatWest.

TOKYO

Individual investors, who have led the rally in construction stocks, will focus on movements of Fudo Construction, an Osaka-based contractor regarded as a benchmark of the "Kobe reconstruction theme", *writes Emiko Terazono.* Many investors fear that the stock will be placed on the exchange's watch list, which will limit margin trading.

Traders, meanwhile, are concerned that a fall in trading volume will prompt further weakness in the Nikkei index, since corporate investors, looking to boost earnings by realising profits on their stock portfolios, have been selling into the recent strength. Banks, and other financial issues lost ground last Friday on selling by companies, although overall volume fell to 300m shares.

HONG KONG

The rally that marked the first day of trading in the Year of the Pig last Friday is unlikely to continue after the colony's banks followed the US and lifted interest rates by 50 basis points, *writes Louise Lucas.*

The consequent squeeze on home-owners is expected to depress the retail sector further, while banks and property developers – which together make up some 60 per cent of the Hang Seng index – are also expected to feel the pinch.

Trading patterns today will be dictated by the outcome of Saturday's Sino-US negotiations on intellectual property rights.

Behind the immediacy of a potential trade war is a broader mood of reluctance in the US to tolerate China's *modus operandi*, as witnessed by a spate of damning reports on the mainland's failure to improve its human rights record. This, combined with uncertainty about the political line-up after Deng Xiaoping dies, could curtail both US imports from China and investment in China and Hong Kong.

Compiled by Michael Morgan

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on [illegible]: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	8.20	9.91	9.91
0100	8.03	22.15	23.47
0130	8.09	38.44	39.75
0200	8.09	38.44	39.75
0230	8.03	38.44	39.75
0300	8.03	38.44	39.75
0330	8.70	38.44	39.75
0400	8.86	10.72	12.04
0430	8.20	9.91	9.91
0500	8.11	8.91	8.91
0530	8.12	8.95	8.95
0600	8.10	9.90	9.90
0630	8.20	10.01	10.01
0700	8.80	31.08	32.40
0730	7.53	31.71	33.09
0800	7.54	33.16	35.14
0830	7.57	37.83	40.19
0900	7.71	44.79	48.35
0930	8.03	61.17	65.61
1000	9.38	63.58	68.49
1030	9.45	63.91	68.94
1100	9.35	50.91	55.87
1130	8.25	51.92	58.57
1200	8.29	52.58	58.00
1230	8.16	50.85	58.01
1300	7.93	44.85	49.17
1330	7.72	41.05	44.44
1400	7.85	38.39	42.32
1430	7.83	36.96	41.85
1500	7.81	38.58	41.38
1530	7.61	21.32	21.32
1600	7.73	76.88	89.62
1630	8.84	252.16	284.66
1700	29.57	494.37	500.13
1730	58.35	472.71	538.16
1800	73.89	355.84	407.32
1830	71.98	166.21	190.61
1900	35.68	94.53	105.05
1930	18.55	47.00	51.84
2000	12.46	37.32	39.83
2030	11.73	32.83	33.88
2100	7.55	31.59	33.05
2130	8.82	31.56	32.91
2200	8.80	30.73	32.05
2230	8.72	31.08	32.40
2300	8.85	10.08	10.08
2330	8.20	10.05	10.05
2400	8.11	10.01	10.01

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6789 between 8:30am and 5:15pm Monday to Friday.
©Energy Settlements and Information Services Limited

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on [illegible]: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	8.80	12.99	12.99
0100	8.23	22.22	24.56
0130	8.78	54.91	57.25
0200	8.78	54.91	57.25
0230	8.23	22.22	24.56
0300	8.23	10.33	12.67
0330	8.23	10.33	12.67
0400	8.05	10.33	12.67
0430	8.85	8.92	8.92
0500	8.20	8.91	8.91
0530	8.10	8.54	8.54
0600	8.10	8.51	8.51
0630	8.10	8.51	8.51
0700	8.10	8.51	8.51
0730	8.10	8.54	8.54
0800	8.10	8.54	8.54
0830	8.10	8.51	8.51
0900	8.10	8.54	8.54
0930	8.03	8.85	8.85
1000	8.03	8.91	8.91
1030	8.29	10.72	13.07
1100	8.45	34.88	37.02
1130	8.45	43.27	45.61
1200	8.45	34.88	37.02
1230	8.67	43.27	45.61
1300	8.67	43.27	45.61
1330	8.45	43.27	45.61
1400	8.29	43.27	45.61
1430	8.03	10.72	13.07
1500	8.65	8.92	8.92
1530	8.20	8.91	8.91
1600	8.80	10.73	13.07
1630	8.08	35.92	38.25
1700	8.09	37.25	39.63
1730	6.92	47.03	49.38
1800	7.88	47.04	49.38
1830	7.88	42.01	44.36
1900	7.88	40.85	43.19
1930	7.88	37.25	39.60
2000	7.88	35.92	38.26
2030	8.45	35.14	37.48
2100	8.29	35.14	37.48
2130	8.29	32.92	35.26
2200	8.04	32.92	35.26
2230	8.85	9.91	9.91
2300	8.20	9.90	9.90
2330	8.11	8.91	8.91
2400	8.10	8.90	8.90

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THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ TODAY
Abtrust Emerging Econ. Inv. Tst. 0.6p
Bibby (J) 2p
Bletchley Motor 2p
Brit. Funds 7% Treas. Conv. '97 £3.50
Do. 9% Treas. '12 £4.50
British Petroleum 2.5
Do. A.D.R $0.612
Do. A.D.S.$0.612
Cosmos Sec. FRN. 2000 Y2,280,822
E D & F Man 3.2p
FKI 2p
Investment Co 0.75p
Johnson Matthey Int 4.2
Marks & Spencer ADR $0.3295
Nocros 3.5p
Refresh Tranche A, FRN Y2,179,452
Do. Tranche B, Y2,230,137
River & Merc. Am. Cap. & Inc. Tst. 1.8p
Salvesen (C) 3.4p
Sanderson Elec 1.6p
South West Water 10⅝% Db 2012 £1062.50
Tiger Oats R0.055
Volex 6.7p

■ TOMORROW
Anchor Int $0.0324
Berisford Int 0.5p
British Airways A.D.R $0.7187
Clayhithe 0.8p
IAF Group 0.1p
Marubeni Int. Fin. 6½% Dual Curr. Bds. '97 Y650,000
Mazda Motor FRN.'98 Y67,722
Pearson Stlg. Fin. 10¾% Bds. '02 £537.50
Tate & Lyle Fin 9.8p

■ WEDNESDAY FEBRUARY 8
Abbey Natl. Treas. Services 7.70% Gtd. Nts. '99 L385,000
Birmingham Mid. Bldg. Soc. FRN. '99 £159.11
British Gas 7⅛% '44 £71.25
Courtaulds $0.081
Deelkraal R0.05
Drayton Recovery Tst. 4p
Driefontein Cons R1
Electric and Gen. Inv. 1.6p
Five Oaks Inv. 8%
Healthcare Ops. B Mort. FRN. '21 £213.85
I&S Optimum Inc. Tst. 1.95p
Italy 8¾% Nts. '01 $437.5
Kloof Gold Mining R0.85
Northern Foods 6¾% Bds. '08 £33.75
Perstorp AB Skr 5.75
Readicut Intl. 0.63p
Somic 1.25p
Vaux 6.5p

■ THURSDAY FEBRUARY 9
Albrighton 0.1p
Bank Asia Public 3¾% Bds $37.5
Coats Viyella 6¼% Bds '03 £31.25
Collateralised Mort. Secs. FRN. '28 £203.22
Feedback 0.5p
Hydro-Quebec 11% Debs '99 C$110
M & G Group 17p
Norsk Hydro AS 9⅞% Nts '95 $98.75
Nova Scotia (Prov.) FRN '99 $153.33
Storehouse 2.7p

■ FRIDAY FEBRUARY 10
American Express $0.225
Bristol Water Hldgs. 12p
Do. N/Vtg 12p
Brit. Funds 9¾% '01 £4.875
Do. 6% 1999 £3
Creightons Naturally 2.2p
Equity Consort Inv Tst Dfd 13.125p
Irish Permanent 6.5% Bds IR£3.25
Italy 7¼% Bds 93/98 DM72.5
Latham (James) 2.25p
London Merchant Secs. 0.8p
MFI Furniture 1.5p
Nomura Intl. Sub. FRN. '04 $138.96
NORWEB 8.2p
Quadramatic 4p
Racal Electronics 1.75p
Radstone Tech. 0.825p
Scottish Invs. Tst. 3.39p
Scottish & Newcastle 6.18p
Sterling Inds. 2.5p
Syltone 1.71p
Vodafone Group 1.64p
Wellman 0.4p

■ SUNDAY FEBRUARY 12
Guinness Flight Global Strategy Pf Gilt & Stlg Bd 20p
Tesco 9% Cv Cap Bd 2005 4.5p

UK COMPANIES

■ TODAY
COMPANY MEETINGS:
Avon Rubber, Melksham House, Market Place, Melksham, Wiltshire, 2.30

BOARD MEETINGS:
Finals:
French Property Tst
Loades
Trencherwood
Waste Mngmt
Interims:
US Smaller Co's Inv Tst

■ TOMORROW
COMPANY MEETINGS:
Alliders, Bournemouth Highcliff *Hotel, St. Michaels Road,* Bournemouth, 11.00

BOARD MEETINGS:
Finals:
Brewin Dolphin
Fleming Claverhouse Inv Tst
Hotspur Inv
Ramsdens (Harry)
Shani Grp
Interims:
Angerstein Underwriting
BSkyB
Bryant
Fleming Emerging Mkts Inv Tst
Fleming Enterprise Inv Tst
Hong Kong Inv Tst
News Int

■ WEDNESDAY FEBRUARY 8
COMPANY MEETINGS:
M & G, Painters Hall, Little Trinity Lane, EC. 12.00

BOARD MEETINGS:
Finals:
Alexanders Hldgs
Lloyds Abbey Life
Scottish American Inv
Interims:
Amstrad
Compel
Elbief

***■ THURSDAY* FEBRUARY 9**
COMPANY MEETINGS:
Archer Group Hldgs., Lloyds Building, 1, Lime Street, E.C., 10.30
Bass, Q.E.II Centre, Westminster. 9.30
Burndene Investments, 22, Hanover Street, Edinburgh 10.30
Dobson Park Inds, Ironmongers Hall, Barbican, E.C., 11.00
Electronic Data Processing, *Tapton Masonic Hall*, Shore Lane, Sheffield, 12.00

BOARD MEETINGS:
Finals:
Crest Nicholson
Friends Provident Ethical Inv Tst
Interims:
Calluna
Heiton Hldgs
Impala Platinum

■ FRIDAY FEBRUARY 10
COMPANY MEETINGS:
API, Howard Hotel, Temple Place, W.C. 12.30

BOARD MEETINGS:
Finals:
Amicable Smaller Ent Tst
Greenfriar
Johnson Fry Second Utilities Tst
Lloyds Bank
Murray European Inv Tst

Company meetings are annual general meetings unless otherwise stated.

Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting *to approve the preliminary* results.

CONFERENCES & EXHIBITIONS

FEBRUARY 13/14
Intellectual Property Rights in Multi-media and Telecommunications
A CommEd Conference. Qualifies for points under the Law Society's Continuing Professional Development Scheme.
Contact: CommEd
Tel: (071) 274 8725
LONDON

FEBRUARY 13-15, APRIL 10 - 12
Facility Documentation and Legal Issues
Reviews the legal principles and practical issues associated with lending, guarantees and *security documentation. Loan documents and* facility letters; Dealing with defaults; Litigation and insolvency. £795 +VAT.
Contact: BPP Bank Training - Hilary Jackson
Tel: 0171 628 8444 Fax: 0171 628 7818
LONDON

FEBRUARY 13 -15, APRIL 26 - 28
Advanced Credit Analysis
Targeted at experienced credit/investment analysts and credit managers the course works through case studies involving complex companies in order to *highlight* the more sophisticated techniques used in *financial analysis.* • Creative accounting. • Derivatives-counterparty and product risk • Corporate failure. £795 plus VAT. Course director - Ross Tanner.
Contact: BPP Bank Training - Ross Tanner
Tel: 0171 628 8444 Fax: 0171 628 7818.
LONDON

FEBRUARY 14/15
Selling Skills for Treasury Staff course
The Selling Skills for Treasury Staff is designed to introduce the subject of selling techniques to corporate dealers and customer services people. The course looks at the need to empathise and then identify the most appropriate products. The linking of products to the customers' situation. Leading to greater confidence when dealing with the customer. £520 + V.A.T.
Lywood David International Ltd
Tel: 0959 565820 Fax: 0959 585821
LONDON

FEBRUARY 14 & 15
UK RADIO: Investments and Finance
In-depth conference on critical issues facing UK radio industry and how to create strategies for success. Panels on the BBC VS commercial radio, investment, advertising initiatives and programme formats.
Contact: Patricia Baynton, Kagan World Media Limited. Tel: 0171 371 8880 Fax: 0171 371 6715.
LONDON

FEBRUARY 20
FT London Motor Conference: Block Exemption: Europe's New Order for Car Retailing
The conference will focus on block exemption, *consider the changing* relationship between vehicle manufacturers and distributors and address the question of competitiveness in the computer sector.
Enquiries: Financial Times.
Tel: 081-673 9000
Fax: 081-673 1335
LONDON

FEBRUARY 20-22 1995
Documentary Credits and Trade Finance
Foundation course providing sound understanding of products, techniques, skills of trade finance. Letters of Credit, Collection, Acceptances, forfaiting. Factoring. Customs Practice, Settlement, Documentation. *Back-to-Back, Transferable,* Credits. Countertrade, Credit Insurance. Common Discrepancies and Problems. How to Help your Customer.
£525 3 DAYS
Contact: Fairplace 0171 329 0595
LONDON

FEBRUARY 20 - 24, MARCH 27 - 31
Credit Analysis - Level 1
For those with little experience of accounting and financial analysis the course covers financial statements, interpretation skills and techniques necessary for successful lending. • *Risk analysis* • Understanding company accounts • Ratio analysis • *Cashflow* statements • The credit environment • Security taking. £1,000 plus VAT.
Contact: BPP Bank Training - Karina Cashl.
Tel: 0171 628 8444 Fax: 0171 628 7818
LONDON

FEBRUARY 21
EC Competition Law Workshop CPD Accredited
Failure to take EC law into account could cost many millions of pounds in fines, together with the possibility of substantial claims in damages by third parties suffering loss. This *workshop* provides a comprehensive and practical introduction to the subject.
Contact *International Professional* Conferences Ltd on 061 445 8623
LONDON

FEBRUARY 21 & 22
Insuring the Railways
A conference examining the new insurance regime for the privatised rail industry. Covering catastrophe *liability*, business interruption, claims handling, lessons from abroad, the legal implications, risk analysis & profiling and international agreements.
Contact: Claire Dexter, The Waterfront Conference Company. Tel: 0171 730 0430 Fax: 0171 730 0460.
LONDON

FEBRUARY 21 & 22
Practical Dealing Course - Money Market
Training in traditional Cash markets and short term derivatives dealing - risk and evaluation, product pricing, position management - opportunities to test theories *learnt in dealing simulation and practical* exercises. For Corporate treasury personnel and bank dealers. £520 + V.A.T
Lywood David International Ltd.
Tel: 01959 565820 Fax: 01959 565821
LONDON

FEBRUARY 22
Investor Relations: Advanced IR
For Senior Management experienced in shareholder relations. IR in complex corporate restructuring, IR for indexed funds. Strategic investing: how to manage the institutions. International flotation complications. Speakers: Invesco, BP, Postern Executive Group, Global Proxy Services Corp.
Contact: Bass Associates Seminars.
Tel: 071 497 2225 Fax: 071 497 9295
LONDON

FEBRUARY 22-23
Pay Appraisal and Career Development
A practical guide to the latest techniques for achieving excellent employee performance in *the delayered organisation. This important* two-day conference explores how to radically improve your business performance by linking individual targets to corporate objectives through effective reward, appraisal *and motivation* systems.
Contact: Business Intelligence
Tel: 0181 543 6565 Fax: 0181 544 9020
LONDON

FEBRUARY 23
UK Work Permits and US Visas
This conference presents views on obtaining US Visas and UK Work Permits from US Embassy, Employment and Home Office officials. *Also, consultant experts will* provide practical tips for applications and company case studies will examine how they manage US/UK personnel transfers.
Contact: Natalie Munden, CBI Employee Relocation Council. Tel: 071 379 7400 Fax: 071 836 1114.
LONDON

FEBRUARY 27 & 28
FT Cable, Satellite and New Media
The forum will look at the convergence of *telecommunications, computers and* entertainment. It will also examine the new alliances and mergers that corporations are setting up, the potential of new technologies and the increasing choice of programmes.
Enquiries: Financial Times.
Tel. 081-673 9000 Fax: 081-673 1335
LONDON

FEBRUARY 27 - MARCH 2
China's Economic Reform: The Costs and the Benefits
International *residential conference (daily* participation also possible), with Chinese, EC, US and other speakers. Topics include the business environment, investment, legal system and infrastructure. Numbers limited to provide maximum opportunity for informal discussion.
Contact: *Elizabeth Harris, Wilton Park,* Steyning. Tel: +44 -903-815020 Fax: +44 - 903-815931.
WEST SUSSEX

FEBRUARY 28
Fabian Business Seminars - Labour & City Regulation
Alistair Darling MP will lead a one-day seminar *on City Regulation.* Speakers include: David Bland, CII; Lord Eatwell; Prof. Julian Franks; Joel Joffe; Prof. Stephen Schaeffer: Lindsay Thomas, SFA and Andrew Winckler, SIB.
Booking: 0171-222 1280/Fax: 0171-222 1278
LONDON

FEBRUARY 28 & MARCH 1
***Introduction to Foreign Exchange* and Money Markets**
Highly participative training course covering traditional FX and money markets featuring WINDEAL (PC Windows based dealing simulation). For Corporate treasurers, bank dealers, marketing executives, financial controllers, systems and support personnel. £520 + VAT.
Lywood David International Ltd.
Tel: 01959 565820 Fax: *01959 565821*
LONDON

FEBRUARY 28 - MARCH 1
CTI and Beyond
As the worlds of computing and telephony move ever closer, Computer Telephone *Integration is becoming relevant to almost* every organisation. This seminar includes case studies of users of CTI technology, and overview of the technology and future of CTI, and examinations of CTI implementation and products.
Contact Unicom Seminars, 0895 256 484, fax 0895 813 095
LONDON

FEBRUARY 28 - MARCH 1
Trawling the Internet: The Commercial Impact and Opportunities
A timely overview outlining the benefits of Internet services to the professional and commercial organisation. Users and vendors of Internet products and services, politicians, computer multinationals explain their strategy and vision of the future.
Contact Unicom Seminars
Tel: 0895 256 484, fax: 0895 813 095
LONDON

MARCH 2
CHINA: The Land of Opportunity
A unique opportunity for key decision *makers to examine some of the financial,* commercial, legal and cultural issues crucial to conducting successful business in China.
Contact: *ildl*, SECOAT, Kent International Airport, Manston, Kent CT12 5BP
Tel: 01843 823022 Fax: 01843 821228
LONDON

MARCH 2
Managing New Product Development for Business Turnaround
One day conference exploring how design management is fundamental to the manufacturing process. Organised by the Design Museum and sponsored by the DTI.
Contact: Conference Secretariat: Northern Conference Bureau
Tel: 01625 503600 Fax: 01625 502900
Conference Centre *MANCHESTER*

MARCH 6 & 7
FT World Steel Industry
The aim is to bring together speakers from around the world to share their views on the key questions facing the steel industry such as *its future structure,* alliances and mergers, privatisation and new technology.
Enquiries: Financial Times
Tel: 081-673 9000 Fax: 081-673 1335
LONDON

MARCH 6 - 8
Optimising Team Performance Conference
Jack Rowell, Coach and Manager, England Rugby *Union Squad, will give the Keynote* Address on 'The Winning Team'. Other expert speakers from Rover, Mobil Europe, Allied Dunbar, Lucas Electronics, Rolls-Royce Motor Cars.
Contact: Anna Jung, AIC Conferences. Tel: (0171) 827 5967
LONDON

MARCH 8-9
Business Performance Measurement:
Transforming corporate performance by *measuring* and *managing the drivers* of future profitability. This two-day conference explores relevance and practicality of *developing new "corporate dashboards"*, which include non-financial indicators, such as customer satisfaction, quality and *benchmarking.*
Contact: Business Intelligence
Tel: 0181-543 6565 Fax: 0181-544 9020
LONDON

MARCH 13
The Foreign Exchange Market: Rates, Risks and Capital Concerns
The fourth annual Dow Jones Telerate foreign exchange conference is built around the theme of foreign exchange market risk and the capital required to protect market participants. Speakers will include Michael Foot, Bank of England and senior representatives from the European Commission, JP Morgan, Hong Kong Bank, Bankers Trust.
Contact: Arielle Savona, Dow Jones Telerate
Tel: 0171 832 9737 Fax: 0171 353 2791
LONDON

MARCH 14
Survive! Business Continuity 95
Where will it hurt the most when normal business activities are *interrupted* by a disaster? Attend this conference to explore recent case-studies and gain from the real experiences of those who have been forced to invoke their business continuity and resumption plans in anger.
Contact: Liz Powell, Survive!
Tel: 0181 874 6266 Fax: 0181 874 6446.
LONDON

MARCH 16
How to Conduct Planning Appeals CPD Accredited
The Planning and Compensation Act 1991 and new policies emerging from central government have created scope for conflict between developers and planning authorities which could lead to more appeals and inquiries. This conference is designed for those involved in the planning process.
Contact International Professional Conferences Ltd on 061 445 8623
LONDON

BUSINESS PROCESS RE-ENGINEERING (BPR)
February 20-21 & March 20-21
Leading seminar series on Business Process Re-engineering. Enhanced 1995 *programme includes new sections on* self-managed teams and radical BPR. Coaching style of presentation. Based on 150 successful BPR projects. 60 organisations in the private & public sectors attended in 1994.
Contact: Richard Parris, Tel: 01455-250266
or
Mike Abbot, Tel: 0734 464 746
Vertical Systems Intercede Ltd. Fax: +44 1455-890821

MARCH 20 & 21
FT World Pharmaceuticals
This conference, arranged jointly with *Coopers & Lybrand, takes as its theme* 'Evolving from Pills to Healthcare-Realising the Ambition'. Leading figures will outline their vision and strategies for moving from being pharmaceutical product-*based companies to becoming 'healthcare'* players.
Enquiries: Financial Times
Tel: 081-673 9000 Fax: 081-673 1335
LONDON

MARCH 20 - 24
Consolidating Multilateral Trade and the Future World-Trade Organisation Agenda
Residential conference with international participation (daily participation also possible). Trade topics discussed will include the environment, services, investment, market access and competition. Numbers limited for informal discussion.
Contact: Elizabeth Harris, Wilton Park, Sussex. Tel: +44-1903-815020 Fax: +44-1903-815931
LONDON

MARCH 21
So you want to be a consultant?
More and more people see self-employed consultancy as an alternative to traditional 'paid' employment. This one-day conference will give delegates the *opportunity to assess* the risks and rewards of becoming a consultant and provide practical advice on the reality of setting up a consultancy.
Institute of Directors 0171 730 0022
LONDON

MARCH 22
***Presentations for Finance* Professionals**
Sharpen your presenting skills. Businessmen, designers, actors and stand-up comedians show you how to package your figures for the most *difficult executives, when to use humour, charts* – how to give life to your presentations. Keynote speaker: Alan Dibbo, CIM. Royal Court Theatre.
Contact: Executive Presentations
Tel: 0171 251 5053 Fax: 0171 490 0566
LONDON

MARCH 23-24 1995
***PlanEcon Conference* Announcement**
Transition & Recovery in Eastern Europe and the Former Soviet Republics and East European & Former Soviet Energy Sector: Recovery in Sight? PlanEcon, DRI/McGraw-Hill conferences with Boris Fedorov, Petr Bod, and Terry Adams.
Contact Corinne Redonnet on + 44-81-545 6212.
LONDON

MARCH 28-29
Electronic Messaging
Electronic messaging is one of the most important requirements to survive in an increasingly dynamic market and to play a role in its future. Topics include: interconnecting existing messaging communities; workgroup computing; mobile and remote workers; electronic messaging and EDI; desktop applications; information security standards.
Contact: Unicom Seminars
Tel: 0895 256 484 Fax: 0895 813 095
LONDON

MARCH 28-29
The Role of IT in BPR: Enabler Versus Dictator
This seminar examines intersections and synergies between BPR and information technology, and investigates pros and cons of application-pull versus technology-push. It identifies the critical success factors in BPR; explains the practical steps to exploit the synergies; analyses the role of the IT community in BPR. Followed by a separate *two-day workshop*: "Aligning IT and BPR: building the enterprise model."
Contact: Unicom Seminars
Tel: 0895 256 484 Fax: 0895 813 095
LONDON

MARCH 29-30
Strategies for Implementing Re-engineering programmes: Methods, capabilities and software tools to *support the re-engineering life cycle*
Presents a practical guide to managing the analysis, redesign, modelling & implementation phases of process re-engineering. Outlines how to develop new skills & capabilities, & how to apply the latest software tools & methodologies.
Contact: Business Intelligence
Tel: 0181 543 6565 Fax: 0181 544 9020
LONDON

MARCH 30
Banks, *The City and Politics*
The banks and: the economy; industry; the press; the government. The Chartered Institute of Bankers' first annual conference is sponsored by AT&T and will be chaired by Sue McGregor. Speakers include Eddie George, Tom Farmer and Christopher Fildes.
Contact: Gillian Wright, CIB
Tel: 0227 762600 Fax: 0227 763788
LONDON

APRIL 3
Wills and Probate - Essential Law & Taxation
This one day conference will include the Finance Bill 1995 changes and will focus on the following key areas: Drafting the will tax efficiently; Chattels and Works of Art, Valuing Real Property; Share Valuations; Insolvent Estates; Administration of the Estate - Tax Issues; *View from the CTO and Post-Death Variations.*
Contact: Vicki Goffin, IBC Legal Studies and Services Limited. Tel: 0171 637 4383 Fax: *0171 631 3214.*
LONDON

APRIL 4
Contentious Probate - Death and Disinheritance
An intensive one day workshop designed *for practitioners* on the practical aspects and common problems of a probate action. Revolving round a day long case study, delegates will be invited to put themselves in the shoes of the claimant, professional executor and residuary beneficiaries and consider relevant specimen documents as the case progresses.
Contact: Vicki Goffin, IBC Legal Studies and Services Limited. Tel: 0171 637 4383 Fax: 0171 631 3214.
LONDON

APRIL 5
Promoting Offset Awareness Within Companies
The 11th British Defence Manufacturers Offset Group Meeting will concentrate on promoting a better understanding within companies of the role that purchasing departments can play in meeting offset obligations. Membership is free and open to non-defence companies. Attendance will be open to senior purchasing and offset personnel from member companies.
Contact: Mr Brinley Salzmann;
Tel: 01428 607788 Fax: 01428 604567
LONDON

APRIL 5-6
Introductory and Intermediate Course to the Futures and Options Markets
Comprehensive introduction for the new entrant and the general business community *wishing to expand into these markets.* Highly participative course led by the experienced financial consultant Keith Woodbridge. *Whole Course £465 + VAT.* 10% Group Booking Discount. Other dates: 7-8 June, 13-14 Sept.
Contact: Alex Atkinson, Futures and Options World. Tel. 0171 827 9977
Fax: 0181 337 8943
LONDON

APRIL 5 - 6
Major Projects - Can we afford them?
If the public and private sectors are to collaborate to develop *a better infrastructure* for the UK there must be a willingness to invest in major projects. The conference *will address this issue, the Private Finance* Initiative and the question of perceived risk inhibiting investment.
Contact: Rachel Coninx, Conference Office.
Tel: 0171 839 9805 Fax: 0171 233 1743
LONDON

APRIL 6
Local Authorities and the Private Finance Initiative (PFI)
This event is designed to instruct Local Authorities and Private Investors on how they can best meet the objectives of PFI in areas such as road, education, housing and health care.
For further *details*, contact *Claire Dexter*, The Waterfront Conference Company.
Tel: 0171 730 0410
LONDON

APRIL 6 & 7
Managing Relocation
The UK's top major annual relocation conference and exhibition covers a wide range of domestic and international relocation issues. Sessions include: relocation policy review; tax, NI & reporting; international remuneration; group moves and operating in Eastern Europe.
Contact: Natalie Munden CBI Employee Relocation Council. Tel: 071 379 7400 Fax: 071 836 1114.
NORTHAMPTON

APRIL 19 & 20
FT Marketing Professional Services '95
The Financial Times and Professional Marketing have organised a two day Congress which is built around one day on point of contact sales masterclass and a second day around a series of workshops *providing practical guidance in getting* better business as well as plenary sessions on competitiveness, the PSMA benchmarking survey and professional ethics. There will also be a presentation of the prestigious 1995 FT/Professional Marketing awards for professional service firms worldwide.
Enquiries: Financial Times.
Tel:081-673 9000 Fax: 081-673 1335
LONDON

APRIL 24-27 & SEPTEMBER 11-14
Fundamentals of Fund Management (Residential)
Suitable for all those who require a thorough understanding of the overall investment *management process - operations personnel,* regulators, consultants, accountants, traders and bankers - wishing also to take advantage of the intensive learning environment provided by a country residential programme. Particular emphasis will be placed on constructing a portfolio and managing it.
£1,850 plus VAT Director: Dr Terry Watsham
Contact: BPP Bank Training - Hilary Jackson
Tel: 0171 628 8444 Fax: 0171 628 7818
LONDON

APRIL 24 & 25
FT European Water Industry
The sixth conference in a highly successful series will examine the cost challenge of meeting EC quality yardsticks and the increasing need to put figures on environmental costs.
Enquiries: Financial Times.
Tel: 081-673 9000 Fax: 081-673 1335
LONDON

APRIL 24 - 26
6th International Delivery Systems Conference
Learn more about: Planning an overall delivery strategy, Specific channels of distribution. The role and future of the branch network. Merchandising the branch, Direct/Telephone Banking. The Information Superhighway. International speakers from Chemical Bank, Midland Bank, IBOS etc.
Contact: *Sandra Martin, Lafferty* Conferences. Tel (+353-1) 671 8022, Fax:(+353-1) 6713594
LONDON

APRIL 25-26
Agent Software
The first commercial UK event to look at agent *software technology. Agents can keep track of* stock levels for inventory control, or share prices, to provide opportunity advice; seek out *information for the user or sort incoming mail.* This is becoming a potentially invaluable service given the increasing amount of information available with the growth of the Internet. Users, suppliers and developers explain their experiences and vision of how this technology will work for you.
Contact: Unicom Seminars
Tel: 0895 256 484 Fax: 0895 813 095
LONDON

APRIL 26-27
Derivatives Risk Management
Executives in the financial industry *involved in planning, organising* and directing financial instruments in banking and treasury departments. Developing new *financial products;* Trading in derivatives; Controlling exposure and risk; Developing the technology to support derivatives. *£790 plus VAT*
Director - Prof Dimitris Chorafas
Contact: BPP Bank Training, Hilary Jackson
Tel: 0171 628 8444 Fax: 0171 628 7818
LONDON

JUNE 22 - 23
European Derivatives Exhibition
The global derivatives industry gathered in one place. A forum for market participants to discuss trading and operational issues with international exchanges and to assess the latest risk management, trading, options pricing and back office technology. A series of seminars, training courses and exchange workshops also available.
Complimentary tickets from:
Alex Atkinson, Futures & Options World
Tel: 0171 827 9977 Fax: 0181 337 8943.
LONDON

EXHIBITIONS

MARCH 1 - 3
Asian Companies EXPO
This entirely new concept for the financial markets brings together in one location an extensive and diverse array of leading Asian Companies, and provides institutional investors with a unique opportunity to evaluate potential growth and return first hand across all sectors on a one-on-one basis.
Contact: Euromoney EXPO's Limited. Tel:+44 (0) 1895 624794, Fax: +44 (0) 1895 624447.
EARLS COURT, LONDON

INTERNATIONAL

FEBRUARY 16-18 1995
ExpoTrans '95
Conference & exhibition of products and services for the Future of Transportation. New vehicles; alternative fuels; design; allied products, etc. Experts will conduct seminars and Q&A sessions on *Infrastructure, People-Movers, Autos,* Trucks, Communications and Financing. Third Millennium Productions.
(619) 864-1822/FAX (619) 325-7503
PALM SPRINGS, CALF

FEBRUARY 21
VAT Planning in an Enlarged European Union
VAT in the EU after the accession of the new countries. Comprehensive, practical information on VAT changes of 1 January 1995, plus discussion of changes expected in the near future.
Contact: Ms Anselien School, IBFD International Tax Academy. Telephone: +31 20 626 7726, Fax: +31 20 620 9397.
STOCKHOLM

FEBRUARY 23 - 24
Environment in Europe; new policies and the greening of industry
Environmental policies in the 15 Member EU, priorities for 1995, approaches towards environmental protection (eco-auditing, eco-labelling, CO2 tax, etc.) green marketing, environmental management and reporting. Panellists include high level representatives of *EU Institutions, businesses,* environmental organisations ;and NGOs.
Enquiries: Club de Bruxelles,
Tel:(322) 771 98 90, fax, (322) 770 66 71
BRUSSELS

FEBRUARY 27 - MARCH 2
Lafferty's Cards & Payments Convention
An Industry Revolution in the Making. Three successive events: Int'l Bank Card; Smart Card and Electronic Payments Conferences. Programme to include: technology, marketing, third-party processing, POS updates and cross-border payments. Senior level speakers from leading financial *institutions worldwide. DON'T DELAY! FOR FURTHER INFORMATION, PLEASE CONTACT:*
Elaine Fitzsimons, Lafferty Conferences
Tel: (+353-1) 671 8022 Fax: (+353-1) 671 3594
FRANKFURT

MARCH 9
***Portfolio Investment* in the Russian Federation**
An international conference looking at the latest developments in the Emerging Capital Markets of the Russian Federation, covering equity and debt markets. Presentations by leading experts, brokers, investment bankers, fund managers, Russian corporates, and Russian policymakers on the economic *reform programme.*
Contact: Arielle Savona, Dow Jones Telerate
Tel: +44 (0) 171 832 9737 Fax: +44 (0) 171 353 2791
SWITZERLAND

MARCH 14 - 16
GULF 95 The way ahead for industry
Gulf 95 aims to explore the issues facing Middle East industry. Speakers will include *Saudi Arabia's Industry Minister* Abdel-Aziz al-Zamil, three other Gulf cabinet ministers, Percy Barnevik chief executive of ABB Asea Brown Boveri, Horst Teltschik board member of BMW, RJ Shahaney of Askok Leyland Madras, plus other key figures in industry.
Contact: MEED Conferences, London Tel: 0171 404 5513 Fax: 0171 430 0337
MANAMA, BAHRAIN

MARCH 21 - 24
European Business Information Conference
The international forum for anyone researching information about business in *Europe. Sources and techniques for finding,* using and understanding information about companies, markets, products, regulations, standards etc. Papers, workshops, case-studies and product reviews. Excellent value.
Contact: Jenny Perry, TFPL Training
Tel: +44 171 251 5522 Fax: +44 171 251 8318
e-mail: 100067.1560@Compuserve.com
BUDAPEST

MARCH 23
Eurobudget 95 Conference
Business opportunities for funding or work in 80.9 billion Ecu 1995 EU Budget expenditure, for national, regional, local authorities/private sector consultants, suppliers, contractors. Includes 200 page EU Budget Guide.
Société Générale de Développement SA.
Tel: +322 512 46 36 Fax: +322 512 4653
BRUSSELS

MARCH 27-29
Sub-Saharan Oil & Minerals
The *foremost* conference on African oil and mining. Speakers include President Mandela and Cabinet Ministers from over 30 African countries. Co-hosted by the SA Chamber of Mines; Gabonese Ministry of Mines & Energy; Nigerian National Petroleum Corporation; Sonangol; SA Ministry of Mineral & Energy Affairs and Europe Energy Environment.
Contact: 3 Hayne St, London EC1A 9HH
Tel: 44-71-600-6660 Fax: 46-71-600-4044
JOHANNESBURG

MARCH 29 & 30
Central & Eastern European Power Industry Forum
The latest and future developments in the electricity generating industry in *Central* and Eastern Europe. A Forum on ownership issues, creative project financing. competition and cooperation opportunities. High level.
Contact: PennWell C&E
Tel: 31-30-650963 Fax: 31-30-650915
WARSAW, POLAND

APRIL 6
Future of Telematic Services for SME's
Conference organised with support of European Commission (DG XXIII). Detailed insight into new technology for SMEs & SMIs. EU policy in favour of SMEs, Commission programmes *(Euromanagement, Craft, Value, Impact,* etc.); proposals for SME participation in information society (tele-teaching, tele-working, video-conferencing); European regulations; SME relations with public administrations (tenders).
Enquiries: Club de Bruxelles,
Tel: (322) 771 4890, Fax: (322) 770 6671
BRUSSELS

MAY 16
Euro SMEs 95
European Union finance for Small and Medium Sized Enterprises: including vocational training, employment, R & D, *telecomms, IT, networking, subcontracting,* regional development etc. Top speakers from EC and financial institutions.
Contact: Société Générale de Développement SA
Tel: +322 512 46 36 Fax: +322 512 4653
BRUSSELS

MAY 16-18
POWER-GEN Europe 95
Investment and financing in the Power industry. Trends and Policies, Combustion and Operating Power Plants 150 selected conference presentations. Over 250 exhibiting companies. Delegates and visitors from over 51 countries, especially from Central, Eastern and Western Europe.
Contact: PennWell
Tel: 31-30-650.963 Fax: 31-30-650.915
AMSTERDAM

OCTOBER 10-12
World Aid/Euro Aid 95 Conference & Networking Exhibition
Business opportunities in worldwide aid programmes for EU consultants, contractors, suppliers, governments, financial institutions etc. Networking meeting place. Includes WORLD AID *GUIDE.*
Contact: Société Générale de Développement SA
Tel: +322 512 4636 Fax: +322 512 4653
BRUSSELS

The Financial Times plans to publish a survey on
International Conferences and Exhibitions
on Tuesday, February 21

This survey is aimed at anyone involved in organising or attending conferences or exhibitions both large or small.

It will include: Ideas on unusual conference venues and activities; how to choose and use exhibitions effectively; and even discuss how to hold a conference without leaving your office.

For further information on editorial content and details of *advertising opportunities please* contact.

Nadine Howarth
Tel: (071) 873 3503 Fax: (071) 873 3098
FT Surveys

TO ADVERTISE IN THIS SECTION PLEASE CALL NADINE HOWARTH ON 071-873 3503

WORLD STOCK MARKETS

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DENMARK (Feb 3 / Kr)

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FRANCE (Feb 3 / Frs.)

GERMANY (Feb 3 / Dm.)

GREECE (Feb 3 / Drachma)

ITALY (Feb 3 / Lira)

NETHERLANDS (Feb 3 / Fls.)

NORWAY (Feb 3 / Kroner)

POLAND (Feb 2 / Zloty)

PORTUGAL (Feb 3 / Escudo)

SPAIN (Feb 3 / Pts.)

SWEDEN (Feb 3 / Kronor)

SWITZERLAND (Feb 3 / Frs.)

TURKEY (Feb 3 / Tk Lira)

PACIFIC

JAPAN (Feb 3 / Yen)

AUSTRALIA (Feb 3 / Aus$)

HONG KONG (Feb 3 / H.K.$)

INDONESIA (Feb 3 / Rupiah)

MALAYSIA (Feb 3 / MYR)

NEW ZEALAND (Feb 3 / NZ $)

SINGAPORE (Feb 3 / S$)

SOUTH KOREA (Feb 3 / Won)

TAIWAN (Jan 25 / TW $)

THAILAND (Feb 3 / Baht)

NORTH AMERICA

CANADA

TORONTO (Feb 3 / Can $)
4 pm close

MONTREAL (Feb 3 / Can $)
4 pm close

AFRICA

SOUTH AFRICA (Feb 3 / Rand)

INDICES

	Feb 3	Feb 2	Feb 1	1994/5 High		1994/5 Low	
Argentina							
General (29/12/77)	15206.61	15216.79	15341.33	25470.40	16/2/94	13836.48	10/1/95
Australia							
All Ordinaries(1/1/80)	1847.7	1858.5	1833.1	2340.60	3/2/94	1839.60	31/1/95
All Mining(1/1/80)	833.5	840.4	826.1	1136.10	3/2/94	828.10	1/2/95
Austria							
Credit Aktien(30/12/84)	361.34	363.34	369.46	499.86	2/2/94	361.34	3/2/95
Traded Index(2/1/91)	991.57	992.47†	991.57	1222.25	1/2/94	975.44	2/2/95
Belgium							
BEL20 (1/1/91)	1363.63	1362.67	1358.09	1542.65	9/2/94	1336.39	7/10/94
Brazil							
Bovespa (29/12/83)	39444.0	38979.0	39898.0	55110.00	13/9/94	3800.90	3/1/94
Canada							
Metals Minls♦(1975)	4083.50	4020.20	3956.20	4328.07	19/1/95	3289.86	20/4/94
Composite♦ (1975)	4105.05	4061.10	4019.11	4809.90	23/3/94	3858.90	24/6/94
PortfolioSS (4/1/83)	2019.82	1987.73	1964.05	2182.69	1/2/94	1869.48	28/6/94
Chile							
IPGA Gen (31/12/80)	5514.5	5476.0	5467.0	5754.40	21/11/94	3801.20	4/4/94
Denmark							
CopenhagenSE(3/1/83)	353.43	354.20	353.31	415.78	2/2/94	336.88	20/12/94
Finland							
HEX General(28/12/90)	1848.8	1814.8	1827.5	1972.00	4/2/94	1601.18	3/1/94
France							
SBF 250 (31/12/90)	1215.41	1202.04	1207.05	1585.28	2/2/94	1178.82	23/1/95
CAC 40(31/12/87)	1842.43	1816.10	1827.78	2355.93	2/2/94	1772.84	23/1/95
Germany							
FAZ Aktien(31/12/58)	768.74	765.60	765.54	889.27	18/5/94	742.84	5/10/94
Commerzbank(1/12/53)	2182.9	2173.3	2174.0	2465.50	2/5/94	2116.38	5/10/94
DAX (30/12/87)‡	2057.89	2045.25	2048.43	2271.11	16/5/94	1980.59	7/10/94
Greece							
Athens SE(31/12/80)	811.92	819.82	806.06	1194.58	18/1/94	803.92	31/1/95
Hong Kong							
Hang Seng(31/7/64)	7478.92	(c)	(c)	12201.09	4/1/94	6967.93	23/1/95
India							
BSE Sens.(1979)	3638.13	3599.29	3569.66	4628.57	12/9/94	3411.04	24/1/95
Indonesia							
Jakarta Comp.(10/8/82)	445.38	440.50	434.65	612.88	5/1/94	432.88	25/1/95
Ireland							
ISEQ Overall(4/1/88)	1882.47	1866.62	1851.22	2082.16	20/1/94	1694.14	1/7/94
Italy							
Banca Comm Ital (1972)	673.40	674.49	672.28	817.17	10/5/94	581.64	13/12/94
MIB General (2/1/95)	1064.0	1066.0	1062.0	1074.09	23/1/95	979.00	10/1/95
Japan							
Nikkei 225 (16/5/49)	18538.97	18604.30	18739.47	21552.81	13/6/94	17369.74	4/1/94
Nikkei 300 (1/10/82)	265.92	266.83	268.85	311.71	13/6/94	254.80	23/1/95
Topix (4/1/68)	1448.38	1455.25	1464.14	1712.73	13/6/94	1380.88	23/1/95
2nd Section (4/1/68)	1904.30	1910.09	1908.38	2542.85	6/7/94	1875.33	4/1/94
Malaysia							
KLSE Comp.(4/4/86)	927.26	(c)	(c)	1314.46	5/1/94	849.87	24/1/95
Mexico							
IPC (Nov 1978)	(u)	1843.86	1997.79	2881.17	8/2/94	1866.90	31/1/95
Netherland							
CBS TtlRtnGen(End 83)	443.0	440.0	441.4	454.90	31/1/94	406.30	21/6/94
CBS All Shr (End 83)	277.9	276.1	276.9	294.80	31/1/94	257.90	21/6/94
New Zealand							
Cap. 40 (1/7/86)	1977.67	1968.08	1957.05	2439.84	3/2/94	1878.09	12/12/94
Norway							
Oslo SE(Ind)(2/1/83)	1142.82	1138.01	1142.97	1211.18	28/2/94	980.91	21/6/94
Philippines							
Manila Comp (2/1/85)	2510.99	2457.79†	2476.89	3398.37	4/1/94	2374.66	24/1/95
Portugal							
BTA (1977)	2770.9	2765.7	2754.6	3228.60	18/2/94	2612.80	20/6/94
Singapore							
SES All-S'pore(2/4/75)	517.36	512.25	(c)	641.61	4/1/94	472.90	23/1/95
South Africa							
JSE Gold (28/9/78)	1655.2♥	1623.2	1585.1	2534.80	7/9/94	1495.20	30/1/95
JSE Indl. (28/9/78)	6527.0♥	6476.3	6373.1	6994.40	30/12/94	5448.00	19/1/94
South Korea							
KoreaCmpEx(4/1/80)**	940.64	943.35	(c)	1138.75	8/11/94	855.37	2/4/94
Spain							
Madrid SE (30/12/85)	288.46	284.70	283.96	358.31	31/1/94	275.35	11/1/95
Sweden							
AffarsvardsGen (1/2/37)	1540.20	1531.70	1531.40	1603.90	31/1/94	1334.70	8/7/94
Switzerland							
Swiss Bk Ind (31/12/58)	1234.77	1223.91	1219.32	1423.34	31/1/94	1138.72	27/10/94
SBC General (1/4/87)	912.77	904.55	903.26	1093.29	31/1/94	876.57	27/10/94
Taiwan							
WeightedPr.(30/6/66)**	(c)	(c)	(c)	7181.33	30/9/94	5194.63	19/3/94
Thailand							
Bangkok SET (30/4/75)	1278.07	1241.53	1238.53	1753.73	4/1/94	1191.28	23/1/95
Turkey							
Istanbul Cmp.(Jan 1986)	25463.3	25814.8	25341.6	28145.10	2/12/94	12980.70	24/3/94
WORLD							
MS Capital Int (1/1/70)$	611.0*	609.7	608.8	649.90	2/11/94	581.80	4/4/94
CROSS-BORDER							
Eurotrack 100(26/10/90)	1324.25	1312.86	1313.47	1540.19	31/1/94	1286.48	5/10/94
Euro Top-100 (26/6/90)	1180.15	1168.36	1168.16	1311.01	2/2/94	1136.48	5/10/94
JCapelDrgos (31/12/88)	(u)	275.93	274.79	395.19	5/1/94	261.48	23/1/95
Barings Emerg.(7/1/92)	142.63	142.16	142.18	191.78	28/9/94	134.07	31/1/95

US INDICES

Dow Jones	Feb 3	Feb 2	Feb 1	1994/5 High	1994/5 Low	Since compilation High	Since compilation Low
Industrials	3928.64	3870.77	3847.58	3978.36 (31/1/94)	3593.35 (4/4/94)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	95.43	95.04	95.06	105.61 (21/1/94)	93.56 (30/12/94)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1511.15	1492.29	1493.69	1862.29 (2/2/94)	1371.89 (13/12/94)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	195.82	193.05	192.72	227.86 (3/1/94)	173.94 (22/11/94)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3950.60 (3884.23) Low 3876.16 (3838.38) (Theoretical♦)
Day's high 3944.12 (3871.11) Low 3870.77 (3843.86) (Actual♦)

Standard and Poors	Feb 3	Feb 2	Feb 1	1994/5 High	1994/5 Low	Since compilation High	Since compilation Low
Composite ‡	478.65	472.78	470.40	482.00 (2/2/94)	438.92 (4/4/94)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials♥	564.00	558.33	555.10	564.00 (3/2/95)	516.05 (21/4/94)	564.00 (3/2/95)	3.62 (21/6/32)
Financial	45.46	44.16	43.82	48.94 (14/6/94)	39.87 (22/11/94)	48.46 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	260.44	257.18	256.00	267.71 (2/2/94)	243.14 (4/4/94)	267.71 (2/2/94)	4.46 (28/4/42)
Amex Mkt Val	442.43	438.45	436.92	487.89 (2/2/94)	420.23 (13/12/94)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	772.03	763.64	758.31	803.93 (18/3/94)	693.79 (24/6/94)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Jan. 27	Jan 20	Jan 13	Year ago
Dow Jones Ind. Div. Yield	2.79	2.77	2.73	2.57
	Feb 1	Jan 25	Jan 18	Year ago
S & P Ind. Div. yield	2.42	2.43	2.40	2.512
S & P Ind. P/E ratio	18.96	18.90	19.08	26.98

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Telefonos	6,539,600	34¼	+¼
EMC Corp	6,029,900	17	-⅛
Ford Motor	5,448,600	25¾	+⅛
Amer Stand	5,255,100	19⅝	----
Pepsi Co	4,785,300	38⅝	+⅝
Wal-Mart	4,508,300	24	+¼
Compaq	4,148,400	36⅝	+⅜
Beverly	3,878,900	13½	-1¼
A T & T	3,846,000	51⅞	+⅞
Citicorp	3,629,200	42⅞	+1⅞

■ TRADING ACTIVITY

● Volume (millions)

	Feb 3	Feb 2	Feb 1
New York SE	440.949	322.032	395.305
Amex	18.004	13.626	15.928
NASDAQ	(u)	269.973	288.268
NYSE			
Issues Traded	2,933	2,925	2,913
Rises	1,851	1,289	1,258
Falls	528	896	926
Unchanged	555	740	729
New Highs	94	44	47
New Lows	36	37	39

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
■ CAC-40							
Feb	1836.0	1855.0	+32.0	1857.0	1831.0	23,131	23,932
Mar	1843.5	1862.5	+32.0	1864.0	184.20	855	22,347
■ DAX							
Mar	2058.0	2089.5	+36.5	2089.5	2058.0	24,534	N/A
Jun	2090.0	2108.0	+36.0	2108.5	2088.0	1,007	N/A
■ OMX							
Feb	1175.00	1187.50	+15.7	1187.50	1174.00	4,570	19,384
Mar	1183.50	1187.25	+8.75	1187.25	1180.25	266	920
■ SOFFEX							
Feb	2571.5	2594.5	+29.5	2595.0	2571.5	5,064	15,290
Mar	2588.0	2601.0	+33.5	2601.0	2587.0	484	965
■ S&P 500							
Mar	474.60	481.05	+6.40	482.00	474.50	57,322	193,917
Jun	479.60	484.90	+6.30	485.95	480.20	1,394	15,083
■ Nikkei 225							
Mar	18720.0	18610.0	-80.00	18740.0	18510.0	31,012	123,975
Jun	18750.0	18650.0	-80.00	18750.0	18750.0	635	6,602

Open interest figures for previous day.

** Sat Jan 28: Taiwan Weighted Price (c) ; Korea Comp Ex 925.58. Base values of all indices are 100 except: Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 25 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. $$ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Feb 3 - 2077.94 +39.48

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

Prices supplied by Telekurs

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994/95, except Toronto & Montreal Highs. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ TOKYO - MOST ACTIVE STOCKS: Friday, February 3, 1995

	Stocks Traded	Closing Prices	Change on day
Penta Ocean	19.8m	905	-10
Fudo Const	19.2m	1310	-70
Aoki Corp	11.8m	629	-22
Toyo Const	8.8m	767	-21
Sumitomo Const	7.5m	761	-36
Gunma Bank	5.0m	1060	
Toyo Tire & Rub	4.4m	535	-32
Wakachiku Const	3.9m	764	-49
Unisia Jeco Corp	3.8m	750	+49
Obayashi Corp	3.7m	752	-18

صحيفة من الأهل

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

Feb 3		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	16.8276	-0.0875	215 - 337	16.9084	16.7294	16.8151	0.9	16.7814	1.1	-	-	105.9
Belgium	(BFr)	49.1277	-0.4276	948 - 606	49.4690	48.9440	49.0777	1.2	48.9627	1.3	48.5027	1.3	107.3
Denmark	(DKr)	9.4126	-0.0726	081 - 170	9.4766	9.4026	9.4066	0.7	9.3954	0.7	9.3579	0.6	106.7
Finland	(FM)	7.3917	-0.056	841 - 992	7.4480	7.3840	-	-	-	-	-	-	84.2
France	(FFr)	8.2876	-0.0486	825 - 924	8.3324	8.2730	8.2806	1.0	8.2678	0.9	8.2051	1.0	107.2
Germany	(DM)	2.3864	-0.0186	851 - 877	2.4035	2.3828	2.3836	1.4	2.3765	1.7	2.3432	1.8	109.4
Greece	(Dr)	372.747	-2.484	508 - 987	374.854	370.841	-	-	-	-	-	-	69.0
Ireland	(I£)	1.0108	-0.0011	101 - 114	1.0126	1.0069	1.0105	0.4	1.0102	0.2	1.0086	0.2	97.0
Italy	(L)	2524.69	-16.48	393 - 545	2543.06	2520.76	2528.19	-1.7	2537.79	-2.1	2582.24	-2.3	78.7
Luxembourg	(LFr)	49.1277	-0.4276	948 - 606	49.4690	48.9440	49.0777	1.2	48.9627	1.3	48.5027	1.3	107.3
Netherlands	(Fl)	2.6751	-0.0234	737 - 765	2.6928	2.6703	2.6719	1.4	2.6644	1.6	2.629	1.7	107.3
Norway	(NKr)	10.4548	-0.0783	501 - 594	10.5230	10.4427	10.4536	0.1	10.4518	0.1	10.4434	0.1	98.2
Portugal	(Es)	246.777	-2.111	565 - 989	248.341	246.113	247.377	-2.9	249.027	-3.6	-	-	95.5
Spain	(Pta)	207.476	-1.286	375 - 577	208.798	207.218	207.778	-1.7	208.576	-2.1	212.481	-2.4	78.7
Sweden	(SKr)	11.7025	-0.0745	920 - 129	11.7840	11.6854	11.714	-1.2	11.74	-1.3	11.8505	-1.3	80.6
Switzerland	(SFr)	2.0188	-0.0151	179 - 196	2.0328	2.0158	2.0144	2.6	2.0049	2.8	1.9592	3.0	108.1
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	87.9
Ecu	-	1.2671	-0.0064	663 - 679	1.2738	1.2597	1.2664	0.6	1.2652	0.6	1.2592	0.6	-
SDR†	-	0.928231	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5657	-0.0163	653 - 661	1.5828	1.5641	-	-	-	-	-	-	-
Brazil	(Cr)	1.3137	-0.0114	126 - 148	1.3266	1.3126	-	-	-	-	-	-	-
Canada	(C$)	2.1947	-0.029	936 - 957	2.2280	2.1929	2.1971	-1.3	2.2024	-1.4	2.2153	-0.9	81.9
Mexico	(New Peso)	8.4893	-0.2052	483 - 303	8.5957	8.4483	-	-	-	-	-	-	-
USA	($)	1.5649	-0.0174	645 - 652	1.5830	1.5632	1.5644	0.4	1.5634	0.4	1.5597	0.3	95.8
Pacific/Middle East/Africa													
Australia	(A$)	2.0789	-0.0073	777 - 800	2.0800	2.0773	2.0809	-1.2	2.0863	-1.4	2.1163	-1.9	87.9
Hong Kong	(HK$)	12.1010	-0.1336	975 - 045	12.2390	12.0890	12.1	0.1	12.1265	-0.8	12.0263	0.6	-
India	(Rs)	49.1011	-0.538	823 - 199	49.6590	49.0570	-	-	-	-	-	-	-
Israel	(Shk)	4.7176	-0.0409	121 - 235	4.7616	4.7121	-	-	-	-	-	-	-
Japan	(Y)	155.977	-1.552	887 - 066	157.620	155.670	155.467	3.9	154.247	4.4	148.357	4.9	147.8
Malaysia	(M$)	3.9959	-0.0451	942 - 975	4.0433	3.9914	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.4576	-0.0118	557 - 595	2.4596	2.4557	2.4609	-1.6	2.4711	-2.2	2.5046	-1.9	98.9
Philipines	(Peso)	38.8083	-0.4315	214 - 952	38.8962	38.7214	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.8686	-0.0653	672 - 703	5.9366	5.8628	-	-	-	-	-	-	-
Singapore	(S$)	2.2816	-0.0167	803 - 828	2.3025	2.2790	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.5509	-0.0594	485 - 533	5.6170	5.5462	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.3533	-0.0707	362 - 704	6.4416	6.3362	-	-	-	-	-	-	-
South Korea	(Won)	1241.63	-6.37	127 - 199	1255.95	1240.40	-	-	-	-	-	-	-
Taiwan	(T$)	41.1423	-0.4543	307 - 538	41.1598	41.1012	-	-	-	-	-	-	-
Thailand	(Bt)	39.2152	-0.4439	907 - 396	39.6620	39.1890	-	-	-	-	-	-	-

†SDR rates for Feb 2. Corrected US$ Low for Jan 31st: 1.5796. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Feb 3		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan Index
Europe													
Austria	(Sch)	10.7535	+0.063	520 - 550	10.7550	10.6700	10.746	0.8	10.7263	1.0	10.5935	1.5	105.4
Belgium	(BFr)	31.3945	+0.075	805 - 085	31.4155	31.2350	31.372	0.9	31.3195	1.0	31.0895	0.9	107.0
Denmark	(DKr)	6.0150	+0.0202	135 - 165	6.0225	5.9823	6.0132	0.3	6.01	0.3	6	0.2	105.7
Finland	(FM)	4.7236	+0.0153	198 - 273	4.7452	4.7012	4.7209	0.7	4.7166	0.6	4.7061	0.4	83.2
France	(FFr)	5.2960	+0.0275	940 - 980	5.3000	5.2610	5.2934	0.6	5.2887	0.6	5.261	0.7	106.7
Germany	(DM)	1.5250	+0.005	245 - 255	1.5270	1.5157	1.5237	1.0	1.5202	1.2	1.5025	1.5	108.6
Greece	(Dr)	238.200	+1.05	100 - 300	238.400	236.700	241.2	-15.1	245.95	-13.0	258.35	-8.5	68.4
Ireland	(I£)	1.5483	-0.0154	476 - 489	1.5652	1.5465	1.5485	-0.1	1.5481	0.1	1.5473	0.1	-
Italy	(L)	1613.38	+7.33	325 - 350	1615.05	1606.00	1616.13	-2.0	1623.18	-2.4	1655.38	-2.6	73.2
Luxembourg	(LFr)	31.3945	+0.075	805 - 085	31.4155	31.2350	31.372	0.9	31.3195	1.0	31.0895	0.9	107.0
Netherlands	(Fl)	1.7095	+0.004	090 - 100	1.7112	1.6997	1.7081	1.0	1.7045	1.2	1.6858	1.4	106.7
Norway	(NKr)	6.6810	+0.024	795 - 825	6.6900	6.6430	6.6768	0.8	6.6705	0.6	6.6285	0.8	97.2
Portugal	(Es)	157.700	+0.4	600 - 800	157.800	156.880	158.085	-2.9	159.105	-3.6	163.555	-3.7	95.5
Spain	(Pta)	132.585	+0.645	550 - 620	132.690	131.760	132.815	-2.1	133.405	-2.5	136.18	-2.7	78.3
Sweden	(SKr)	7.4783	+0.0351	733 - 833	7.4857	7.4352	7.4881	-1.6	7.5093	-1.7	7.5973	-1.6	80.0
Switzerland	(SFr)	1.2901	+0.0046	898 - 903	1.2915	1.2810	1.2877	2.2	1.2826	2.3	1.2584	2.6	107.6
UK	(£)	1.5649	-0.0174	645 - 652	1.5830	1.5632	1.5644	0.4	1.5634	0.4	1.5597	0.3	88.2
Ecu	-	1.2350	-0.0075	345 - 355	1.2433	1.2345	1.2352	-0.2	1.2357	-0.2	1.2386	-0.3	-
SDR†	-	1.46939	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.0006	+0.0007	005 - 006	1.0008	1.0005	-	-	-	-	-	-	-
Brazil	(Cr)	0.8395	+0.002	390 - 400	0.8400	0.8390	-	-	-	-	-	-	-
Canada	(C$)	1.4025	-0.0029	021 - 028	1.4059	1.4020	1.4044	-1.7	1.4087	-1.8	1.4203	-1.3	80.7
Mexico	(New Peso)	5.4250	-0.07	000 - 500	5.4500	5.4000	5.4258	-0.2	5.4262	-0.1	5.4276	0.0	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	96.7
Pacific/Middle East/Africa													
Australia	(A$)	1.3284	+0.01	280 - 289	1.3289	1.3135	1.3306	-2.0	1.3352	-2.0	1.3607	-2.4	88.0
Hong Kong	(HK$)	7.7330	+0.0005	325 - 335	7.7335	7.7320	7.7341	-0.2	7.7351	-0.1	7.74	-0.1	-
India	(Rs)	31.3775	+0.005	725 - 825	31.3850	31.3700	31.4575	-3.1	31.7025	-4.1	-	-	-
Israel	(Shk)	3.0149	+0.0073	119 - 178	3.0178	3.0053	-	-	-	-	-	-	-
Japan	(Y)	99.6750	+0.115	400 - 100	99.7300	99.2200	99.385	3.5	98.685	4.0	95.15	4.5	148.5
Malaysia	(M$)	2.5535	-0.0005	530 - 540	2.5550	2.5520	2.5515	0.9	2.547	1.0	2.531	0.9	-
New Zealand	(NZ$)	1.5704	+0.0098	696 - 713	1.5713	1.5538	1.5739	-2.7	1.5799	-2.4	1.6049	-2.2	-
Philipines	(Peso)	24.8000	-	500 - 500	24.8500	24.7500	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7504	-	502 - 505	3.7505	3.7502	3.753	-0.8	3.7583	-0.6	3.7679	-0.5	-
Singapore	(S$)	1.4580	+0.0055	575 - 585	1.4585	1.4523	1.453	4.1	1.4477	2.8	1.4243	2.3	-
S Africa (Com.)	(R)	3.5473	+0.0015	465 - 480	3.5495	3.5455	3.5623	-5.1	3.5933	-5.2	3.7493	-5.7	-
S Africa (Fin.)	(R)	4.0600	-	500 - 700	4.0700	4.0500	4.0875	-8.1	4.1375	-7.6	4.37	-7.6	-
South Korea	(Won)	793.450	+4.7	400 - 500	793.500	789.400	796.45	-4.5	799.95	-3.3	818.45	-3.2	-
Taiwan	(T$)	26.2915	+0.002	900 - 930	26.3030	26.2900	26.3115	-0.9	26.3515	-0.9	-	-	-
Thailand	(Bt)	25.0600	-0.005	500 - 700	25.0700	25.0500	25.0725	-0.6	25.0865	-0.4	25.1125	-0.2	-

†SDR rate for Feb 2. Corrected UK£ Low for Jan 31st: 1.5798. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Feb 2. Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

February 3	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Belgium	4⅞	5¼	5⅜	5⅞	6⅜	7.40	4.50	-
week ago	4⅞	5⅛	5⅜	5⅞	6⅜	7.40	4.50	-
France	5⅝	5½	5¾	6⅛	6⅝	5.00	-	6.40
week ago	5⅝	5½	5¾	6⅛	6⅝	5.00	-	6.40
Germany	4.93	4.95	5.05	5.25	5.70	6.00	4.50	4.85
week ago	4.93	4.95	5.05	5.25	5.75	6.00	4.50	4.85
Ireland	5¼	5⅝	6¼	6⅝	7⅜	-	-	6.25
week ago	5⅝	5⅝	6¼	6⅝	7⅜	-	-	6.25
Italy	8⅝	8¼	8⅞	9⅜	10⅛	-	7.50	8.20
week ago	8⅝	8¼	8⅞	9¼	10¼	-	7.50	8.20
Netherlands	4.84	5.01	5.11	5.32	5.81	-	5.25	-
week ago	4.84	5.01	5.11	5.33	5.83	-	5.25	-
Switzerland	3⅞	3⅞	3⅞	4¼	4½	6.625	3.50	-
week ago	3¾	3⅞	4	4¼	4⅜	6.625	3.50	-
US	6	6¼	6½	6⅞	7¼	-	5.25	-
week ago	5⅞	6⅛	6⅜	6⅞	7⅛	-	4.75	-
Japan	2¼	2¼	2¼	2¼	2¼	-	1.75	-
week ago	2¼	2¼	2¼	2⅜	2¼	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	6⅛	6⅜	6¾	7⅜	-	-	-
week ago	-	6⅛	6¼	6⅝	7¼	-	-	-
US Dollar CDs	-	5.94	6.13	6.48	7.14	-	-	-
week ago	-	5.94	6.13	6.47	7.09	-	-	-
SDR Linked Ds	-	4.625	4.812	5.125	5.687	-	-	-
week ago	-	4.625	4.94	5.25	5.69	-	-	-

ECU Linked Ds mid rates: 1 mth: 5⅝; 3 mths: 6; 6 mths: 6⅛; 1 year: 6⅝. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Feb 3	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	5⅛ - 4⅞	5¼ - 5⅛	5¼ - 5⅛	5⅜ - 5¼	5⅞ - 5¾	6⅜ - 6¼
Danish Krona	5¼ - 5	5¾ - 5½	5⅞ - 5⅝	6¼ - 6	6¾ - 6⅝	7⅜ - 7¼
D-Mark	5 - 4⅞	5 - 4⅞	5 - 4⅞	5⅛ - 4⅞	5⅜ - 5¼	5¾ - 5⅝
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.41	93.56	+0.16	93.58	93.40	113,705	401,906
Jun	92.74	93.03	+0.29	93.06	92.73	195,646	398,641
Sep	92.34	92.70	+0.36	92.75	92.34	124,601	280,751

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

Mar	94.09	94.13	+0.12	94.16	94.03	1,571	9,686
Jun	93.34	93.57	+0.24	93.63	93.34	1,175	10,895
Sep	92.97	93.25	+0.32	93.28	92.97	982	4,812

All Open interest figs. are for previous day

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Feb 3		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.16	16.87	4.857	2.056	5138	5.446	21.27	502.2	422.2	23.82	4.108	2.036	4.467	3.184	317.4	2.579
Denmark	(DKr)	52.19	10	8.805	2.535	1.073	2682	2.842	11.10	262.1	220.4	12.43	2.144	1.062	2.331	1.662	165.6	1.346
France	(FFr)	59.27	11.36	10	2.879	1.219	3046	3.228	12.61	297.7	250.3	14.12	2.435	1.207	2.648	1.887	188.1	1.529
Germany	(DM)	20.59	3.945	3.473	1	0.423	1058	1.121	4.380	103.4	86.92	4.904	0.846	0.419	0.920	0.655	65.34	0.531
Ireland	(I£)	48.63	9.319	8.205	2.362	1	2499	2.649	10.35	244.3	205.3	11.58	1.998	0.990	2.172	1.549	154.4	1.254
Italy	(L)	1.946	0.373	0.328	0.095	0.040	100.	0.106	0.414	9.774	8.217	0.464	0.080	0.040	0.087	0.062	6.177	0.050
Netherlands	(Fl)	18.36	3.519	3.098	0.892	0.378	943.6	1	3.907	92.22	77.53	4.374	0.754	0.374	0.820	0.585	58.28	0.474
Norway	(NKr)	47.00	9.007	7.930	2.283	0.967	2415	2.560	10	236.1	198.5	11.20	1.931	0.957	2.100	1.497	149.2	1.212
Portugal	(Es)	19.91	3.815	3.359	0.967	0.409	1023	1.084	4.236	100.	84.07	4.743	0.818	0.405	0.889	0.634	63.19	0.514
Spain	(Pta)	23.68	4.538	3.996	1.150	0.487	1217	1.290	5.039	118.9	100.	5.641	0.973	0.482	1.058	0.754	75.17	0.611
Sweden	(SKr)	41.98	8.044	7.083	2.039	0.863	2157	2.286	8.932	210.9	177.3	10	1.725	0.855	1.875	1.337	133.2	1.083
Switzerland	(SFr)	24.34	4.664	4.107	1.182	0.500	1251	1.326	5.178	122.2	102.8	5.798	1	0.496	1.087	0.775	77.25	0.628
UK	(£)	49.12	9.412	8.287	2.386	1.010	2524	2.675	10.45	246.7	207.4	11.70	2.018	1	2.194	1.564	156.9	1.267
Canada	(C$)	22.39	4.290	3.777	1.088	0.460	1150	1.219	4.763	112.4	94.53	5.333	0.920	0.456	1	0.713	71.06	0.577
US	($)	31.41	6.018	5.299	1.526	0.646	1614	1.710	6.682	157.7	132.6	7.481	1.290	0.639	1.403	1	99.68	0.810
Japan	(Y)	31.51	6.037	5.316	1.530	0.648	1619	1.716	6.703	158.2	133.0	7.505	1.294	0.641	1.407	1.003	100.	0.813
Ecu		38.77	7.429	6.541	1.883	0.797	1992	2.111	8.248	194.7	163.7	9.234	1.593	0.789	1.732	1.234	123.0	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Mar	0.6598	0.6555	-0.0039	0.6608	0.6538	27,034	79,750
Jun	0.6612	0.6577	-0.0042	0.6625	0.6560	397	3,247
Sep	-	0.6600	-0.0046	-	0.6620	195	403

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

Mar	0.7810	0.7742	-0.0080	0.7826	0.7724	10,827	36,854
Jun	0.7840	0.7791	-0.0082	0.7876	0.7777	248	1,342
Sep	-	0.7842	-0.0084	0.7870	0.7840	105	173

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Mar	1.0100	1.0057	-0.0044	1.0110	1.0047	22,234	72,988
Jun	1.0206	1.0169	-0.0048	1.0222	1.0160	573	7,732
Sep	-	1.0284	-0.0058	1.0300	1.0280	231	670

■ STERLING FUTURES (IMM) £62,500 per £

Mar	1.5606	1.5626	-0.0186	1.5814	1.5588	4,805	37,976
Jun	1.5750	1.5604	-0.0194	1.5760	1.5550	66	1,412
Sep	-	1.5582	-0.0206	-	1.5560	2	6

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Feb	CALLS Mar	CALLS Apr	PUTS Feb	PUTS Mar	PUTS Apr
1.500	6.07	6.10	6.35	-	0.05	0.39
1.525	3.58	3.88	4.38	-	0.32	0.89
1.550	1.27	2.10	2.76	0.09	0.98	1.74
1.575	0.07	0.91	1.62	1.39	2.26	2.97
1.600	-	0.30	0.85	3.71	4.09	4.67
1.625	-	0.06	0.39	6.21	6.33	6.68

Previous day's vol., Calls 5,625 Puts 3,054 . Prev. day's open int., Calls 226,939 Puts 285,181

■ Pound in New York

Feb 3	— Close —	— Prev. close —
£ spot	1.5635	1.5820
1 mth	1.5628	1.5815
3 mth	1.5615	1.5805
1 yr	1.5538	1.5768

FT GUIDE to WORLD CURRENCIES

The FT Guide to World Currencies table can be found on the Emerging Markets page in today's edition.

FT GOLD MINES INDEX

	Feb 3	% chg since 30/12/94	Feb 2	Mkt Cap $bn	% of Gold Mines	Gross div yield %	52 week High	52 week Low
Gold Mines Index (34)	1705.63	-13.7	1715.27	41.77	100.00	2.24	2337.98	1637.91
■ Regional indices								
Africa (16)	2683.81	-15.9	2630.31	13.80	33.04	5.12	3711.87	2304.45
Australasia (7)	1980.72	-20.1	2004.82	5.03	12.05	0.85	2965.56	1943.81
North America (11)	1379.75	-10.7	1403.70	22.94	54.91	0.82	1911.21	1348.18

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Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92.
Predecessor Gold Mines Index: Feb 3 : 205.7; week's change: +12.2 points; Year ago: 232.6.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1994/95 High	1994/95 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
$10	F.P.	34.2	625	565	First Russian Fr	570		-	-	-	-
-	F.P.	34.1	96	93	Gartmore Mic Ind	96	+1	-	-	-	-
-	F.P.	2.91	41	38	Do. Warrants	41		-	-	-	-
-	F.P.	27.6	55	51½	Lazard Birla India	53	+½	-	-	-	-
-	F.P.	3.22	32½	29¾	Do Warrants	31	+¼	-	-	-	-
35	F.P.	22.1	36	34	MCIT S Cap	34		-	-	-	-
35	P.P.	23.4	36	36	MCIT S Inc	36		-	-	-	-
100	F.P.	40.5	94	80	Matheson Lloyds	81		-	-	-	-
-	F.P.	19.0	130	95	Pentex Oil	95		-	-	-	-
-	F.P.	262.1	128	118	Woodchester Units	125		-	-	-	-

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1994/95 High	1994/95 Low	Stock	Closing price p	+or-
4	Nil	3/3	2pm	¼pm	Dares Estates	½pm	
7½	Nil	3/2	1½pm	½pm	Verity	¾pm	

UK INTEREST RATES

LONDON MONEY RATES

Feb 3	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	5⅞ - 3½	6¼ - 5¾	6⅝ - 6½	6¾ - 6⅝	7⅛ - 7	7¾ - 7⅝
Sterling CDs	-	-	6⅝ - 6½	6¾ - 6⅝	7⅛ - 6⅞	7⅝ - 7½
Treasury Bills	-	-	6½ - 6⅜	6½ - 6⅜	-	-
Bank Bills	-	-	6½ - 6⅜	6⅝ - 6½	7 - 6⅞	-
Local authority deps.	6 - 5⅞	6⅛ - 5⅞	6⅝ - 6½	6¾ - 6⅝	7⅛ - 6⅞	7¾ - 7⅝
Discount Market deps	4¾ - 3¾	5¼ - 5⅛	-	-	-	-

UK clearing bank base lending rate 6¾ per cent from February 2, 1995

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2	2½	5¼	5½	5¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc.
Ave. tender rate of discount 6.1694pc. ECGD fixed rate Stg. Export Finance. Make up day Jan 31, 1995. Agreed rate for period Feb 26, 1995 to Mar 25, 1995, Schemes II & III 7.87pc. Reference rate for period Dec 31, 1994 to Jan 31, 1995, Schemes IV & V 6.824pc. Finance House Base Rate 7pc from Feb 1, 1995

BANK OF ENGLAND TREASURY BILL TENDER

	Feb 3	Jan 27		Feb 3	Jan 27
Bills on offer	£500m	£500m	Top accepted rate	6.1569%	6.1368%
Total of applications	£2624m	£2930m	Ave. rate of discount	6.1694%	6.1071%
Total allocated	£500m	£500m	Average yield	6.2657%	6.2015%
Min. accepted bid	£98.465	£98.470	Offer at next tender	£500m	£500m
Allotment at min. level	100%	100%	Min. accept. bid 182 days	-	-

BANK RETURN

BANKING DEPARTMENT	Wednesday February 1, 1995	Increase or decrease for week
	£	£
Liabilities		
Capital	14,553,000	
Public deposits	675,360,512	-185,192,619
Bankers deposits	1,675,816,631	+73,194,220
Reserve and other accounts	4,010,481,574	+314,508,940
	6,376,211,717	+202,510,541
Assets		
Government securities	1,280,948,258	-96,749,999
Advance and other accounts	4,569,153,092	+305,893,984
Premise, equipment and other secs	517,548,854	-618,810
Notes	8,348,785	-4,008,625
Coin	212,728	-6,009
	6,376,211,717	+202,510,541
ISSUE DEPARTMENT		
Liabilities		
Notes in circulation	18,081,651,215	+44,008,625
Notes in Banking Department	8,348,785	-4,008,625
	18,090,000,000	+40,000,000
Assets		
Other Government securities	10,486,589,530	-1,444,574,065
Other Securities	7,603,410,470	+1,484,574,065
	18,090,000,000	+40,000,000

BASE LENDING RATES

	%		%
Adam & Company	6.75	Duncan Lawrie	6.75
Allied Trust Bank	6.75	Exeter Bank Limited	7.75
AIB Bank	6.75	Financial & Gen Bank	7
●Henry Ansbacher	6.75	●Robert Fleming & Co	6.75
Bank of Baroda	6.75	Girobank	6.75
Banco Bilbao Vizcaya	6.75	●Guinness Mahon	6.75
Bank of Cyprus	6.75	Habib Bank AG Zurich	6.75
Bank of Ireland	6.75	●Hambros Bank	6.75
Bank of India	6.75	Heritable & Gen Inv Bk	6.75
Bank of Scotland	6.75	●Hill Samuel	6.75
Barclays Bank	6.75	C. Hoare & Co	6.75
Brit Bk of Mid East	6.75	Hongkong & Shanghai	6.75
●Brown Shipley & Co Ltd	6.75	Julian Hodge Bank	6.75
Citibank NA	6.75	●Leopold Joseph & Sons	6.75
Clydesdale Bank	6.75	Lloyds Bank	6.75
The Co-operative Bank	6.75	Meghraj Bank Ltd	6.75
Coutts & Co	6.75	Midland Bank	6.75
Credit Lyonnais	6.75	●Mount Banking	6.75
Cyprus Popular Bank	6.75	NatWestminster	6.75
		●Rea Brothers	6.75

* Roxburghe Guarantee Corporation Ltd is no longer authorised as a banking institution.
Royal Bk of Scotland 6.75 · ●Singer & Friedlander 6.75 · ●Smith & Williamson Secs 6.75 · TSB 6.75 · ●United Bk of Kuwait 6.75 · Unity Trust Bank Plc 6.75 · Western Trust 6.75 · Whiteaway Laidlaw 6.75 · Yorkshire Bank 6.75

● Members of London Investment Banking Association
* In administration

UK GILTS PRICES

[illegible]

Shorts" (Lives up to Five Years)

	Notes	Price £	Wk % +/-	Amnt £m	Interest due	Last xd	City line
Exch 3pc Gas 1990-95		99⅞	—	214	My1 No1	26.9	1271
10¼pc 1995		101⅞	-.1	2,500	Ja21 Jy21	15.12	1254
Treas 12¾pc 1995‡‡		104⅞	-.1	840	My15 No15	10.10	1298
14pc 1996		108⅞	-.1	770	Ja22 Jy22	16.12	1305
Conversion 9½pc 2004		105⅞	-.1	3,412			
Treas 6¾pc 2004‡‡		87⅞	-.1	6,500			
8½pc 2005		99⅞	—	4,400			
Conv 9½pc 2005		103⅞	-.1	4,842			
Treas 12½pc 2003-5		121⅞	0.1	2,200			

[illegible]

■ "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Weekly percentage changes are calculated on a Friday to Friday basis.

Other Fixed Interest

[illegible]

STOCK INDICES

[illegible]

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

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FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code listed below. Calls are charged at 39p/minute cheap rate and 49p/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on (+44 71) 873 4378.

OFFSHORE INSURANCES

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

LONDON SHARE SERVICE

BANKS, MERCHANT

	Notes	Price	W'k% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Barings 8pc Cm 2nd Prf		97	—	8%	–	Jan Dec	14.11	1757
9¼pc Non-Cum Prf		117½	—	9¼%	–	Jan Jul	14.11	1421
Cater Allen	♣†N□	443	—	28.3	1.6	Jan Jul	12.12	2061
Close Bros	♣N	223	—	7.5	2.9	Apr Oct	3.10	2166
Gerrard & Nat	♣†N□	456	–1.3	24.0	1.3	Jul Dec	7.11	2586
Hambros	♣N□	237	–2.1	16.0	1.1	Aug Dec	28.11	2812
7½pc Cv Pf		108½	–2.3	7½%	–	Oct	5.9	4366
Joseph (L)	♣†N	393	—	17.65	1.9	Sep Dec	5.12	3090
King & Shaxson	♣N	97	—	9.0	1.1	Jan Jul	19.12	3889
Kleinwort Benson	♣†N□	618	–3	19.25	2.6	May Oct	15.8	3102
Rea Bros	♣†N□	84	–3.0	6.66	3.2	May Oct	29.8	3786
Schroders	♣†N□	1485	1.4	18.5	5.9	May Oct	12.9	3939
N/V	†N	1335	1.5	18.5	5.9	May Oct	12.9	3941
Singer & Fried	♣†N□	85	—	3.13	2.6	Nov Jun	19.9	4028
Union	♣†N□	88	–1.1	4.5	3.6	Mar Oct	29.8	4353
Warburg (SG)	♣N□	761	0.4	22.0	2.4	Jul Dec	14.11	4425
Winkust	♣†N	228	6.0	10.6	1.5	Oct Mar	22.9	4524

BANKS, RETAIL

	Notes	Price	W'k% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
ABN Amro R	□	£22½	—	Q61%	ф	Sep May	9'93	–
ANZ A$		210	6.1	Q25c	ф	Jan	12'93	–
Abbey National	†N□	431	0.5	19.55	2.1	May Oct	15.8	5411
Allied Irish £	♣†N□	284	2.3	Q8½%	2.7	Oct May	15.8	1354
Anglo Irish £	N□	51	2.0	Q17.8%	1.6	Jan Jul	28.11	1355
Asahi Y	□	743½	17.3	Q14%	ф	Jun Dec	12'92	3049
Banco Bil Viz Pta	□	£15¾	3.8	Q27.2%	2.7	JyOcJaAp	7'93	–
Banco Sant Pta		£23¾	–.5	Q38%	2.0	MyAuOcJa	1.8	–
Bk Ireland £	†N□	306	1.7	Q14.7%	3.2	Jan Jul	21.11	1360
Bank Scotland	♣†N□	207	–1.4	5.31	3.3	Jul Dec	17.10	1742
9¼pc Pf		118½	0.4	9¼%	–	May Nov	17.10	1462
9¼pc Pf		124½	0.4	9¼%	–	May Nov	17.10	1865
Barclays	♣†N□	591	1.5	16.65	2.4	Oct May	15.8	1754
Dai Ichi Kan Y	□	£11¼	11.4	Q17%	1.2	Jun Dec	9'93	–
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BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

BUILDING MATS. & MERCHANTS - Cont.

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

Approved by the Inland Revenue

INVESTMENT TRUSTS - Cont.

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LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

INVESTMENT COMPANIES - Cont.

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

OIL EXPLORATION & PRODUCTION

OIL EXPLORATION & PRODUCTION - Cont.

OIL, INTEGRATED

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

TRANSPORT - Cont.

WATER

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	Wk% ch'nge	Div net	Div cov	Dividends paid	Last xd	City line
Anglo Am Ind		£29	-6.5	Q375c	1.9	Oct Apr	3.93	–
Barlow	✣	£5⅞	19.3	Q56c	2.8	Jan Jul	12.12	–
Gold Flds Prop R		141½	…	Q60c	ф	Feb Sep	1.94	–
NK Props		85	-2.9	Q87.1c	–	Feb Sep	10.93	–
SASOL	♥	484	8.5	Q78c	–	Oct	9.93	–
SA Brews	†	£14⅝	4.5	Q163c	2.2	Jun Dec	21.11	–
Tiger Oats		725	-3.3	Q85c	2.8	Jan Jul	12.12	–
Tongaat-Hulett	†h	701	…	Q80c	2.4	Feb Aug	1.94	–

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ф Figures or report awaited
- ♥ Rule 2 1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities
- †† Rule 4.2(a) Irish incorporated non-listed companies
- ‡ Price at time of suspension
- ¶ Indicated dividend after pending scrip and or rights issue, cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Not subject to ACT. z Dividend includes a special payment. Cover does not apply to special payment. F Dividend based on prospectus or other official estimates for 1994-95. G Assumed dividend after pending scrip and/ or rights issue. H Dividend based on prospectus or other official estimates for 1995. K Dividend based on prospectus or other official estimates for 1994. L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1995-96. N Figures based on IWR "Headline Earnings". P Figures based on prospectus or other official estimates for 1994. Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1275 a year for each security shown, subject to the Editor's discretion

FT Share Service

The following changes have been made to the FT Share Information Service: Additions. **Wellington Underwriting** (Insurance), **Asset Man Inv. Co. Ord** and **Warrants** (Inv Tsts). **East Europe Dev. Fd. Part.** and **C Shares** (Inv. Co's). **Telewest Comms.** (Telecoms) and **Clydeport** (Transport). Deletions: **Control Tech.** (Elect. & Elect. Eq.), **Embassy Prop.** (Property) and **Vivat** (Textiles).

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4 pm close February 3

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994/95 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chge Prev. Close
17⅞	11⅞	AAR	0.48	3.6	24	191	13⅞	13⅝	13½	
21⅞	12⅝	A L Labs A	0.18	0.9	44	308	19¾	19¾	19¾	
79⅜	57⅝	AMP	1.84	2.6	20	4807	71⅜	70½	70½	-⅛
72¾	48⅛	AMR			25	5064	58½	57	58	+1½
68⅛	38⅝	ASA	2.00	4.5	29	606	44¾	44	44⅛	-⅜
35⅞	25⅜	AbbtL	0.76	2.2	18	8898	35⅛	34½	34⅝	-⅛
15¼	11⅜	AbtMd Pr	0.50	3.7	12	20	13⅞	13⅝	13⅝	
24⅛	17¾	ABM Ind	0.60	2.5	14	300	24	23½	23¾	
18	11⅛	Acplncoln			12	114	16	15¾	16	
31	20¾	ACE Ltd	0.44	1.8	8	675	25⅛	24½	24¾	
12½	9	ACM Gvt In x	1.09	11.7	8	532	9⅜	9¼	9⅜	+⅛
10⅛	6⅞	ACM GvOpp x	0.80	11.0		225	7¼	7⅛	7¼	
10⅝	6¼	ACM Gvt Sp x	0.96	13.2		285	7¼	7⅛	7¼	
12	7⅝	ACM Gvt Se x	1.09	12.8		378	8½	8⅜	8½	+⅛
11¾	7⅜	ACM Man x	1.08	13.9		687	7⅞	7⅝	7¾	+⅛
9¼	7¼	ACM Mangd x	[illegible]	9.8		49	7½	7⅜	7⅜	-⅛
16¼	8¾	AcmeClv	[illegible]	3.1	9	289	15¾	15⅜	15⅝	+½
19⅞	6½	Acme Elect			19	878	19¼	16⅝	18¾	+1¼
33½	23	Acordia	0.60	1.8	16	38	32½	32¼	32½	+½
13¾	5¾	Actava	0.36	3.8	2	246	9⅜	9	9⅝	+⅝
18⅜	11¼	Acuson			27	161	16¾	16⅜	16½	-⅛
18⅜	15½	Adams Expr	0.36	2.2	0	172	16⅛	15⅞	16⅛	+¼
84½	48½	Ad Micro	3.00	4.7		68	63⅝	62½	63⅝	+2¾
32¼	16¾	AdvMic	3.00	9.6	9	19222	32	31⅜	31⅜	+⅜
6⅞	5	Advest Grp	0.16	2.7	29	141	5⅞	6½	5⅞	+⅜
20	15	Advo Inc	0.10	0.6	15	549	18¼	17½	18	+½
66⅛	49⅜	Aegon ADR	1.47	2.3	12	36	64½	64¼	64½	+½
5	3⅜	Aerfix			7	227	3⅞	3⅞	3⅞	-⅛

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NYSE COMPOSITE PRICES

4 pm close February 3

Continued from previous page

1994/95 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chg'ge Prev. Close
35⅛	30⅛	SFePPipe	2.80	8.1	8	35	34⅝	34⅜	34½	+¼
26¼	12⅛	SanFeP	0.10	0.5	183	2390	19	18½	19	+½
26⅝	19⅜	SaraLee	0.68	2.6	54	10145	u26¾	26⅛	26⅝	+¾
50⅛	41	Scana Corp	2.82	6.3	13	930	44⅝	44⅝	44⅝	+¼
20½	12½	Scecrp	1.00	6.1	10	9417	16⅝	16⅜	16½	+⅛
13⅞	8¼	SchwkA	0.26	2.6	36	11	9⅞	9¾	9⅞	-⅛
45½	31¾	SchernP			29	934	u45½	44⅞	45⅜	+⅝
78⅞	54½	SchrPl	2.04	2.6	16	3842	78¼	77¼	77⅜	-½
63	50	Schlmb	1.20	2.2	24	6802	54¼	53	53⅞	+⅞
41⅛	23¾	Schwab(C)	0.36	0.8	18	12644	u44¾	41	43½	+2⅝
10¾	6⅛	Schwitzer			8	52	8¾	8½	8¾	+¼
22¾	12½	SciAtl	0.06	0.3	27	3678	21¼	20¼	21¼	+⅝
18¼	13	Scotsman	0.10	0.6	12	425	17¼	17	17⅛	
74½	37¼	ScottP	0.80	1.1	21	3556	u74⅞	73⅞	74¾	+1
31	23	Scripps	0.44	1.5	18	151	29	28¼	29	+¾
26⅝	15⅞	ScuddrNAsF	0.02	0.1		246	17	16⅝	16¾	+⅛
12⅝	8¾	ScuddrNEsF	0.16	1.8		305	9⅛	8⅞	9⅛	+¼
18¼	12	SeaCnB	0.70	4.9	8	5	14¼	14¼	14¼	
16½	14¼	SeaC1.4625	1.46	9.5		2	15⅜	15⅜	15⅜	
28	22⅞	S'gate			7	1916	26¼	25⅞	26⅛	+¼
32⅝	26¼	Seagrm	0.60	2.0	14	5280	30	29⅜	29¾	+½
29¾	15¾	Seagull En			177	3739	16⅛	16	16	-⅛
40⅝	26⅝	Sealed Air			21	101	u41¼	40	40⅝	+⅝
55⅛	42⅛	SearsR	1.60	3.4	14	15109	47½	46¾	46¾	+⅜
13¾	9¾	Seligm Sel	0.84	7.1		73	11⅞	11½	11¾	+⅛
39¼	26	Sensormat	0.22	0.8	22	3966	28⅝	28⅜	28½	-⅛
39¾	17⅝	SequaA	0.80	2.8	8	36	22¾	22¼	22¾	+¾
40¼	21	SequaB	0.50	2.1	12	15	24¼	23½	24¼	+⅞
29	22½	ServCp	0.42	1.4	19	2329	u29	28⅜	29	+⅜
26⅜	21½	SvMstr	0.92	3.7	13	998	24⅞	24⅜	24⅞	+⅝
[illegible]										
42½	33⅞	York Int	0.16	0.4	15	934	36½	35⅞	35⅞	-⅛
5½	1	Zapata	0.14	4.0	11	377	3⅝	3½	3½	-⅛
14⅞	7	ZnthEl			7	1111	10½	10¼	10⅜	
27⅞	20⅝	Zenith Nat	1.00	4.5	11	71	22	21⅝	22	+⅜
7⅞	6	Zenix Inc	0.83	13.0		270	6⅜	6¼	6⅜	
16⅛	11⅞	Zero	0.44	3.2	15	33	13⅝	13⅜	13⅝	-⅛
29¾	16¾	Zurn Ind	0.88	4.7	71	347	18⅝	18	18⅝	+⅝
13⅞	10⅛	Zweig Fund	1.04	9.5		163	11⅛	10⅞	11	
10⅞	7¾	Zweig Tot	0.84	9.9		231	8½	8⅜	8½	

Price data supplied by Telekurs

Yearly highs and lows for NYSE reflect the period from Jan 1 1994. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4 pm close February 3

Stock	Div.	P/ E	Sls 100s	High	Low	Close	Chng
[illegible]							
B&H Ocean	0.55	0	z100	2¼	2¼	2¼	
BadgerMtr	0.73	12	2	22⅞	22⅞	22⅞	+⅛
BaldwnT A	0.04	20	940	5⅛	4½	5	+1/16
Berry RG		12	139	12	11⅞	11⅞	
BATIndr	0.71	12	194	14⅛	14	14	-1/16
Beard		7	z100	1 1/16	1 1/16	1 1/16	
Binks Man	0.40	24	3	20¼	20⅛	20¼	+¼
Bio-Rad A		20	66	26⅝	26⅜	26⅝	+⅛
Blount A	0.57	17	32	47⅞	47⅝	47⅝	-⅛
Bowmar		11	619	3⅛	3	3⅛	-⅛
Bowne	0.36	8	957	16	15½	16	+½
Brascan A	1.04	17	54	13½	13¼	13⅜	+⅛
[illegible]							
Easton Co	0.45	11	6	13½	13½	13½	
Echo Bay	0.07	67	3850	9⅜	9⅜	9½	
Ecol En A	0.32	8	22	9	8⅞	8⅞	
Edisto Rs		12	18	6⅝	6¼	6⅜	+⅛
Elan		26	1197	35¼	35¼	35¼	
EngySv		19	477	12⅝	12¼	12⅜	
Epitope		10	1395	17¾	16⅝	16½	-½
Fab Inds	0.84	12	2	30	d30	30	
Fina A	4.00	11	6	75	74⅞	75	+⅛
FstCityBnc	0.20	10	3	11	11	11	
Fluke (J)	0.56	21	45	30¼	29⅞	30	+¼
Forest La		24	676	49⅞	49½	49⅝	+½
Frequency		3	3	4	4	4	-⅛
Garan	0.80	8	17	15⅝	15⅜	15⅝	+⅜
Giant FdA	0.72	15	553	23	22⅝	22⅞	-⅛
Glatfltr	0.70	63	100	18¾	18⅜	18½	+⅛
Goldfield		1	8	⅜	⅜	⅜	
Greenman		8	11	4⅜	4⅞	4⅞	
Gulf Cda	0.34	6	1475	3⅛	3⅛	3 3/16	+1/16
[illegible]							
Kirby Exp		27	107	16⅝	16¼	16⅜	
KogrEq		33	87	7⅝	7½	7⅝	
Labarge		10	20	1⅜	1⅜	1⅜	-1/16
Laser Ind		8	10	5½	5⅜	5⅜	
Lee Pharm		4	132	¾	11/16	11/16	
Lumex Inc		59	144	u15⅛	14⅝	14¾	+¼
Lynch Cp		21	4	35	34¾	34⅞	
MaxamR		4	80	31	29⅞	30⅝	+⅝
Media A	0.48	22	307	28¾	27¾	28¾	+¾
Mem Co	0.20	29	14	4¼	4⅛	4⅛	
MilwLd			20	7½	7½	7½	
Moog A		44	82	9½	9⅜	9⅜	-⅛
MSR Expl		58	5	1¼	1 3/16	1¼	
Nat Pnt		4	4493	2 5/16	1¾	2 3/16	+⅜
NY TmA	0.56	14	1040	21½	d21	21	-¼
NumacE		17	z100	5¼	5¼	5¼	+⅛
NVR		13	1542	5⅝	5½	5½	-⅛
[illegible]							
Tab Prods	0.20	11	90	6⅜	6⅜	6⅜	
Tel&Data	0.36	50	705	43¾	43	43⅝	+⅝
Thermedics		49	671	15⅛	14⅝	14¾	+¼
Thermolns		25	190	30⅞	30⅜	30¾	-⅜
TotPNA	0.30	17	980	11⅛	11	11⅛	
TownCntry		3	243	13/16	11/16	13/16	+1/16
Triton		1	12	1½	1 7/16	1½	
Tubos Mex		4	218	3⅛	3⅛	3⅛	+1/16
TurnrBcA	0.07	168	141	16⅞	16⅛	16⅞	+½
TurnrBcB	0.07	1725	1444	17⅜	16⅝	17¼	+⅝
UtdFoodsA		5	10	2¼	2¼	2¼	-⅛
UtdFoodsB	0.20	15	33	2½	2⅜	2⅜	
US Cellul		295	73	29¾	28½	29¾	-¼
ViacomA		138	971	47⅞	47⅛	47¼	-¼
ViacomB			8928	u46⅞	46¼	46⅜	-⅜
WRET	1.12	13	38	12½	12⅜	12⅜	
Worthen	0.60	11	144	30½	29¾	30½	+½
Xytronix		2	83	3⅛	2⅞	2⅞	-⅛

NASDAQ NATIONAL MARKET

4 pm close February 3

Stock	Div.	P/ E	Sls 100s	High	Low	Last	Chng
[illegible]							

FT GUIDE TO THE WEEK

MONDAY 6

EU foreign ministers meet

European Union foreign ministers meet in Brussels under the chairmanship of France (to Feb 7). The war in Chechnya and the deteriorating situation in former Yugoslavia are high on the agenda, but ministers will also try to bridge differences over proposed revisions in the Lomé convention governing trade and political relations with developing countries in Africa, the Caribbean, and Pacific. France also wants to overcome Greek resistance to a proposed EU-Turkey customs union, so an agreement can be reached in early March.

De Klerk starts Far East trip

F W de Klerk, deputy president of South Africa, begins a five-day visit to Australia on Monday and then travels on to Malaysia for talks on February 13 and 14. In both countries he will seek to promote business links and seek investment. Mr de Klerk will hold talks with Paul Keating, the Australian premier,and Mahathir Mohamad, the prime minister of Malaysia.

Talks on rubber pact

Rubber producing and consuming countries begin a two-week meeting in Geneva in a third attempt to negotiate a new price stabilising pact. The existing accord expires at the end of this year. The talks, which will centre on rubber exporters' demands for a 5 per cent price rise, come at a time when rubber prices have hit record levels on world markets.

Clinton releases budget

Today is Ronald Reagan's 84th birthday and would have been Babe Ruth's 100th. Thus Speaker Newt Gingrich wants to honour the former president by having the House of Representatives pass the line item budget veto bill and President Bill Clinton has ordered baseball's owners and players to settle the strike – or else.

Mr Clinton also unveils the 1995-96 budget, dismissed in advance as "dead on arrival" in Congress but nonetheless important for its economic forecasts and programmatic proposals. All eyes will be looking for where he makes cuts.

Après moi le déluge

Guy Delage, the Frenchman who is attempting to swim the Atlantic, is expected to arrive in the eastern Caribbean if all goes according to plan.

Lloyd's of London

David Rowland, chairman of Lloyd's of London, faces a grilling about the insurance market's regulatory system when he gives evidence to the Commons' Treasury select committee. Many Names blame Lloyd's system of self-regulation for the lax underwriting standards which have led to losses in excess of £7bn ($10.9bn) in recent years.

Poland's President Lech Walesa, who faces likely defeat in November's presidential polls, is in dispute with the government, and threatens to dissolve parliament

UK electricity sale

The sale of the government's 40 per cent stake in Britain's two largest generators, National Power and PowerGen, gets under way, with the publication of the pathfinder prospectus. It will set the price retail investors will pay on the first two of three instalments on the partly-paid offer.

Vietnamese-Australian ties

Nguyen Manh Cam, Vietnam's foreign minister, arrives in Australia for a five-day visit. In Canberra, he is due to meet Australian trade, industry and immigration ministers, as well Paul Keating, the prime minister, and Bill Hayden, governor-general.

He will also travel to Sydney, which has a growing Vietnamese business community, and to agricultural regions of Queensland.

Holidays

New Zealand.

TUESDAY 7

Ron Brown visits Mideast

US Commerce Secretary Ron Brown, on a visit to the Middle East with a party of US businessmen, presides over a two-day regional trade meeting in the Egyptian Red Sea resort of Taba, near Eilat in Israel. Israel, Jordan, Egypt and the Palestinians are attending. The meeting will discuss ways of consolidating regional economic development, integration and trade.

Greece moves on sea law

Greece's parliament is due to start procedures for ratifying the United Nations Convention on the Law of the Sea, which allows Greece to extend its territorial waters from six to 12 miles. Turkey has threatened to attack Greece if the extension is carried out. Athens says it has no plans to extend its territorial waters but reserves the right to do so.

S Korean party congress

The ruling Democratic Liberal party holds a convention. President Kim Young-sam is expected to tighten control at the expense of the conservative old guard affiliated with the country's former military rulers. The convention follows the forced resignation as party chairman of Kim Jong-pil, leader of a conservative faction, who is expected to establish a new right-wing party this week.

Winter sports

World bobsleigh championships begin in Winterberg, Germany (to Feb 19).

UK farmers' union meets

The National Farmers' Union's two-day annual general meeting opens in London. On the agenda are animal welfare and the protests about the export of live calves to veal crates on the Continent. William Waldegrave, minister of agriculture, will address the conference on Wednesday.

WEDNESDAY 8

Irish budget

Ireland's new Fine Gael led coalition government presents its first budget. Attention will be on Ruairi Quinn, the Labour party's first finance minister. Robust growth in 1994 means Mr Quinn has plenty of room for manoeuvre, although economists believe he will be prudent on public spending, despite pressures from his own party and the third partner in the coalition, the small radical socialist Democratic Left party.

Juppé heads EU trip to Israel

French foreign minister Alain Juppé arrives in Israel at the head of a European Union delegation to assess the Middle East peace process and prospects for the development of a Euro-Mediterranean economic zone. Israel will use the visit to press the EU on further trade concessions in negotiations about a new association agreement. Mr Juppé will also visit Palestinian-ruled Gaza for talks with Palestine Liberation Organisation chairman Yassir Arafat on the peace process and European aid.

Kohl visits Clinton

Germany's Chancellor Helmut Kohl jets to Washington for a two-day visit. Events in Russia are likely to be the focus of talks with President Bill Clinton, but the two will also discuss how defence and economic contacts between the US and Europe can be strengthened.

Greek Albanians' appeal

An appeal court in Tirana will decide whether to free four ethnic Greek Albanians jailed since August on charges of spying for Greece and illegal arms possession. The trial strained relations between Greece and Albania, but the Greek government has stopped blocking Ecu35m ($28m) in European Union aid for Albania.

Holidays

Iraq, Slovenia (Day of Slovenian Culture).

THURSDAY 9

EU delegation in Japan

A European Commission delegation, led by Horst Krenzler, director-general of economic affairs, begins two days of talks in Tokyo with senior Japanese officials to push for progress on Japan's five-year deregulation plan, due to be published this spring.

Rabin and Arafat to meet

Israel's Prime Minister Yitzhak Rabin meets Yassir Arafat, the Palestinian leader, at the Israeli-Gaza border for crucial talks aimed at reviving the suspended peace talks. The two leaders will try to build on progress made in the unprecedented Arab-Israeli summit in Cairo last week and find ways of implementing the next phase of the peace process, which calls for Israeli troop redeployment in the occupied West Bank ahead of Palestinian elections.

Human rights in Russia

Klaus Kinkel, Germany's foreign minister, is to hold talks in Bonn with Sergei Kovalyov, the Russian human rights ombudsman, to learn more about the fighting in the breakaway republic of Chechnya.

Saleroom

Some 80 costumes worn on stage by one of the great operatic divas of the age, Dame Joan Sutherland, come under the hammer at Sotheby's in London. Dame Joan's heaviest costume, which she wore as Donna Anna in *Don Giovanni* at the Met in New York in 1978, is expected to make up to £5,000.

Holidays

Lebanon (St Maron Day).

FRIDAY 10

WTO disputes body meets

The much-vaunted Disputes Settlement Body of the World Trade Organisation holds its inaugural meeting in Geneva. First to test the mettle of the tougher, more streamlined disputes procedure, seen as crucial in upholding the WTO's effectiveness and credibility, is a complaint from Singapore over Malaysian barriers to petrochemical imports.

CIS summit in Alma Ata

The 12 leaders of the Commonwealth of Independent States meet in Alma Ata, capital of Kazakhstan, to discuss closer integration and co-operation between member states.

Nursultan Nazarbayev, president of Kazakhstan, who is hosting the meeting, is a keen advocate of deepening economic and political relations with Russia. The leaders will also discuss plans for commemorating the 50th anniversary of the defeat of Nazism.

Norwegian party congress

Norway's ruling Labour party convenes its annual two-day congress. Minister of social affairs, Hill Marta Solberg, will present a draft proposal on welfare reform. It is to be endorsed by delegates before being presented as a government white paper during parliament's spring session.

Austria moves closer to Nato

Austria, which joined the European Union on January 1, is to become the 25th member of Nato's partnership for peace initiative. Foreign Minister Alois Mock plans to sign the treaty of accession at Nato headquarters in Brussels.

The partnership for peace programme was devised to allow newly democratic countries in eastern Europe to work with Nato, stopping short of membership.

Northern League congress

Italy's populist Northern League begins a three-day national congress in Milan at which the political future of the movement is in question. The breakdown of the coalition with Silvio Berlusconi's Forza Italia and the right-wing National Alliance was prompted by the defection of League leader Umberto Bossi (above), but not all League deputies agreed with the move.

The congress should see a struggle for power between Mr Bossi, and Roberto Maroni, former interior minister, who leads a dissenting group of "leghisti" favourable to Mr Berlusconi.

Holidays

Liberia (Armed Forces Day).

SATURDAY 11

Thai minister bows out

Thailand's foreign minister, Thaksin Shinawatra, has said he will step down today, before a constitutional tribunal can rule on whether he can legally hold the portfolio. Mr Thaksin, one of the country's most successful businessmen, decided to resign after a controversy about potential conflicts of interest. He has held the job for only three months.

SUNDAY 12

Kuwaiti sell-off

The Kuwait Investment Company is to auction Kuwait Investment Authority's 52 per cent stake in United Real Estate Company. The authority, the government's investment arm, is selling its stake as part of privatisation plans.

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ECONOMIC DIARY

Other economic news

Tuesday: In the wake of last week's base rate rise, and comments from Eddie George, Bank of England governor, suggesting that growth may be slowing, UK data will attract particular market attention. Industrial production data today are expected to show that output bounced back in December, after a small, surprise, drop in November. However the yearly growth rate in manufacturing is expected to remain below the high levels seen last summer.

Wednesday: With City economists divided about whether last week's interest rate rise will be followed by further tightening soon, the Bank of England's inflation report could yield crucial indications about the level of Bank concern about inflation.

Japan's December trade balance will be watched carefully in the light of the continued uncertainty about US-Japanese trade relations.

Friday: After last week's US rate rise, January's producer price data are likely to provide further indications of the upward price pressure that the Federal reserve is now fighting to control. Economists expect a small rise in the monthly price growth.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	US	Dec home completions	-	1.35m
Feb 6	Japan	Jan trade balance, 1st 20 days	-	$0.4bn
Tues	US	4th qtr productivity prelim	-	2.9%
Feb 7	US	Johnson Redbook, w/e Feb 4	-	2.1%
	US	Dec consumer credit	$11bn	$12.9bn
	Germany	Jan unemployment, West†	-5,000	1,000
	Germany	Dec employment, West†	No change	-4,000
	Germany	Jan vacancies, West†	4,000	6,000
	Germany	Jan short time, West	40,000	-33,000
	Germany	Jan unemployment, East	82,000	34,000
	France	3rd qtr industrial production†	2.4%	3%
	UK	Dec manufacturing output*	0.5%	-0.7%
	UK	Dec manufacturing output**	4.9%	4.5%
	UK	Dec industrial production*	0.6%	-1%
Wed	US	Dec wholesale trade	-	-0.1%
Feb 8	Japan	Dec current a/c, IMF	$12.9bn	$12.7bn
	Japan	Dec trade balance, IMF	-	$14.2bn
	Japan	Dec foreign bond investment.	-	$9.6bn
	Canada	Nov estimate of Labour income*	0.1%	-0.3%
	Canada	Jan housing starts, units.	135,000	130,000
Thurs	US	Initial claims, w/e Feb 4	325,000	326,000
Feb 9	US	State benefits, w/e Jan 28	-	2.47m
	US	M2	-$1bn	-
	UK	Nov visible trade bal, global	-2650m	-2644m
	Canada	Dec motor vehicle sales*	3.1%	-4.3%

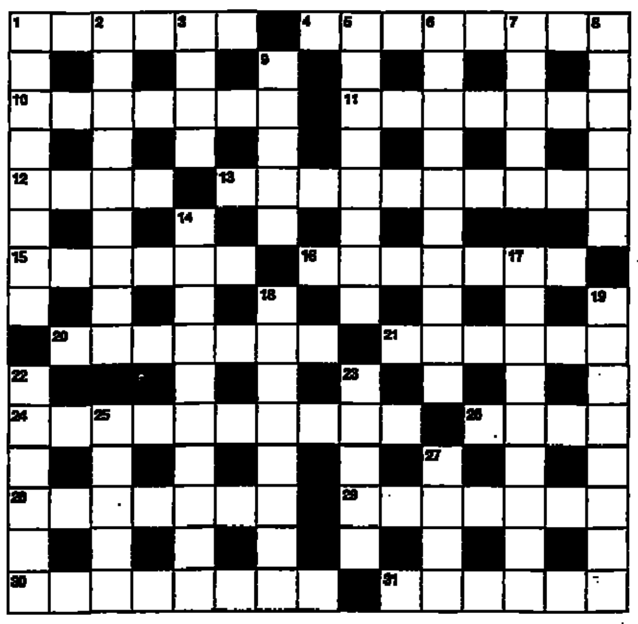
Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Thur	Canada	Jan raw mat'ials price indx adv'ced*	0.7%	0.3%
Feb 9	Aus'lia	Jan employment rate	10,000	44,000
(Cont)	Aus'lia	Jan unemployment rate	9%	8.9%
Fri	US	Jan producer prices indx	0.4%	0.2%
Feb 10	US	Ditto, ex-food & energy	0.4%	0.2
	US	Jan bank credit	-	9.5%
	US	Jan C&I bank loans	-	9.2%
	Canada	Jan employment rate*†	0.2%	0.0%
	Canada	Jan unemployment rate	9.5%	9.6%
	Norway	Jan consumer prices indx*	0.0%	0.0%
	Norway	Jan consumer prices indx**	2.1%	1.9%
	Sweden	Jan unemployment rate	7.6%	7.4%
During the week...				
	Germany	Dec manufacturing orders*	0.1%	-0.3%
	Germany	Jan final cost of living*	-	0.5%
	Germany	Jan final cost of living**	-	2.3%
	Germany	Dec final M3	-	4.8%
	Germany	Dec retail sales pan-Germany**	-0.3%	-3%
	Germany	Dec retail sales, West**	-1%	-4%
	France	Dec M3*†	0.4%	0.2%
	N'lands	Jan consumer prices indx*	0.3%	0.4%
	Spain	Jan unemployment rate, registered	16.6%	16.5%
	Switz'd	Jan unemployment rate	4.5%	4.5%

*month on month, **year on year, †seasonally adjusted. *Statistics, courtesy MMS International.*

MONDAY PRIZE CROSSWORD
No.8,679 Set by DINMUTZ

ACROSS
1 Crack the Camptown system? (6)
4 Single reed blown in the wind (8)
10 Straying miles out of the way in Asia (7)
11 First-class animal-doctor in north-east showing inexperience (7)
12 Bloody fine (4)
13 Spring collection of jumpers here (10)
15 Harry showing insignia to king? (6)
16 Projecting support for Britain's first swindle (7)
20 They are dashed if they will present a facade! (7)
21 Top GI's turning tap (6)
24 Shire, being short, fared badly (5-5)
26 Examination of flora, locally (4)
28 Privateer of rough manner, we hear (7)
29 River-bore the most difficult to understand? (7)
30 Watch central subspecies at gallery (8)
31 City short of fast movement? (6)

DOWN
1 Denunciation of girl leading a clan (8)
2 People are up here for the river-game (9)
3 Reversible operation (4)
5 Monument to come down on the spot? (8)
6 Charging animal on range? That gets up one's nose! (10)
7 Delivery marks (5)
8 City on the Nile, not quite the most attractive (6)
9 Regius Professor at American university is to take over (5)
14 Thin rounds from a table, most crumbly! (5,5)
17 Longing for rolling green seas? (9)
18 Politician's cart upset following protest march (8)
19 Heel of tot damaged on climbing-frame (8)
22 Orders shorter English dictionaries (6)
23 Indirect speech? (5)
25 Admit soldiers in decline? (5)
27 Show attention to wife (4)



A prize of a Pelikan New Classic 390 fountain pen for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers will be awarded. Solutions by Thursday February 16, marked Monday Crossword 8,679 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday February 20.

Name..

Address..

Winners 8,667

Sue Gorman, 38 Taylor Avenue, Kew, Surrey
Mrs Burmester, Downend, Bristol
C.R. Fenton, Gerrards Cross, Bucks
J. Mackie, Firfields, Weybridge, Surrey
Mrs M. Malcolm, Edinburgh
Mrs A.M. Ridley, Woodhall Spa, Lincs

Solution 8,667